City of Bethel, Alaska

Basic Financial Statements,
Required Supplementary Information,
Additional Supplementary Information, and
Single Audit Reports
Year Ended June 30, 2014

This report was issued by BDO USA, LLP, a Delaware limited liability partnership and the U.S. member of BDO International Limited, a UK company limited by guarantee.

City of Bethel, Alaska

Basic Financial Statements, Required Supplementary Information,
Additional Supplementary Information, and Single Audit Reports
Year Ended June 30, 2014

City of Bethel, Alaska

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Tel: 907-278-8878
Fax: 907-278-5779
www.bdo.com

3601 C Street, Suite 600
Anchorage, AK 99503

Independent Auditor's Report

Honorable Mayor and City Council
City of Bethel, Alaska

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Bethel, Alaska, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Bethel, Alaska, as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information
Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis and budgetary comparison information on pages 6 through 13 and page 48 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information
Our audit for the year ended June 30, 2014 was conducted for the purpose of forming opinions on the financial statements that collectively comprise City of Bethel's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards, Schedule of State Financial Assistance, and the combining and individual fund financial statements and schedules listed in the table of contents for the year ended June 30, 2014 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations* and the Schedule of State Financial Assistance is required by the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements for the year ended June 30, 2014 and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole for the year ended June 30, 2014.

We also previously audited, in accordance with auditing standards generally accepted in the United States of America, the basic financial statements of City of Bethel as of and for the year ended June 30, 2013 (not presented herein), and have issued our report thereon dated December 6, 2013, which contained unmodified opinions on the respective financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information. The individual fund financial statements and schedules for the year ended June 30, 2013 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the June 30, 2013 financial statements. The information has been subjected to the auditing procedures applied in the audit of the June 30, 2013 basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare those financial statements or to those financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the individual fund financial statements and schedules are fairly stated in all material respects in relation to the basic financial statements as a whole for the year ended June 30, 2013.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 26, 2015, on our consideration of City of Bethel's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Bethel's internal control over financial reporting and compliance.

BDO USA, LLP

Anchorage, Alaska
January 26, 2015

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Management's Discussion and Analysis

As management of the City of Bethel, we present to the readers of these Financial Statements a narrative overview and analysis of the City's financial activities for the fiscal year ending June 30, 2014. Comparable information from the previous fiscal year which ended June 30, 2013 has been provided to allow the reader to better understand the City's overall financial position.

Financial Highlights

- The assets of the City of Bethel exceeded its liabilities at the close of the most current fiscal year by $130,083,270 (total net position). Of this amount, $12,282,304 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.

- In total, net position increased $13,549,770. The net increase was derived from a governmental activities increase of $14,108,675 coupled with a net position decrease of $(558,905) in the business type activities.

- The City had $11,328,623 in expenses related to governmental activities; these expenses were offset by $15,649,765 by program specific charges for services, grants and contributions. Governmental activities reported general revenues and transfers of $9,785,533 (primarily from taxes, state-shared revenues, investments, and rentals). Overall, governmental activities net position increased by $14,108,675 from current year activities.

- The City had $11,142,429 in expenses related to business-type activities; $9,981,443 of these expenses were offset by program specific charges for services, grants and contributions. General revenues and transfers were recorded at $602,081. Total business-type activities net position decreased by $(558,905) from current year activities.

- In the fund financial statements, the General Fund had $11,102,830 in revenues. General Fund expenditures were $9,775,888 and net transfers to other funds from General Fund were $798,729. The General Fund's fund balance increased by $528,213 from current operations resulting in ending fund balance of $10,076,805.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. City of Bethel's basic financial statements are comprised of 1) Government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains supplementary information in addition to the basic financial statements themselves. The basic financial statements include two kinds of statements that present different views of the City's activities.

- *Government-wide financial statements* provide both short-term and long-term information about the City's overall financial status.

- *Fund financial statements* focus on individual parts of the City, reporting the City's operations in more detail than the government-wide statements.

  Fund financial statements include the governmental fund statements which tell how basic services, such as, City Administration, Public Safety, Public Works, Etc., were financed in the short-term as well as what remains for future spending.

The financial statements include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by two sections: 1) supplementary information and 2) compliance reports.

Government-wide Statements

The Government-wide statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the City's assets and liabilities, with the differences between the two reported as net position.

The two Government-wide statements report the City's *net position* and how they have changed. Net position, the difference between the City's assets and liabilities, is one way to measure the City's financial position.

- Over time, increases or decreases in the City's net position are an indicator of whether its financial position is improving or deteriorating, respectively.

- To assess the overall financial position, you need to consider additional nonfinancial factors such as the condition of buildings and other facilities.

The government-wide financial statements include all the City's *governmental activities,* which accounts for all of the City's basic services such as Administration, Public Works, Public Safety, etc. The *business-type activities* account for the operations of the City's Water, Sewer, Municipal Dock, Rental Properties and other enterprise activities.

Fund Financial Statements

The fund financial statements provide more detailed information about the City's funds, focusing on its most significant or "major" funds – not the City as a whole. Funds are accounting devices the City uses to keep track of specific sources of revenue and spending on particular programs. Some funds are required by state law and/or by governmental accounting standards. The City establishes other funds to control and manage money for a particular purpose or to show that it is properly using certain fund revenues (such as federal grants).

The City has two kinds of funds:

- *Governmental Funds:* Most of the City's basic services are included in governmental funds. Unlike the Government-wide financial statements, governmental fund financial statements focus on short-term inflows and outflows of spendable resources, as well as balances of spendable resources left at fiscal year-end. Consequently, the governmental fund statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spend in the near future to finance the City's programs. Because the focus of governmental funds is narrower than that of Government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the Government-wide financial statements. By doing so, readers may better understand the long-term impact of the City's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities.*

The City of Bethel maintains several individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, which is considered to be a major fund. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* and individual budget to actual schedules elsewhere in this report.

- *Proprietary Funds:* When the City charges customers for the services it provides, both to outside customers and to other units of the City, these services are generally reported in the proprietary funds. Proprietary funds are reported in the same manner in the Statement of Net position and the Statement of Activities. The City's *Enterprise Funds* (one type of proprietary fund) are the same as the business-type activities reported in the Government-wide statements but provide more detail. The City uses two *Internal Service Funds* (the other kind of proprietary fund) to report activities of the City's Employee Health Insurance Benefit and Vehicle and Equipment Replacement.

Table 1 provides a summary of the City's net position for 2014 compared to 2013:

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Assets:						
Current and other assets	$ 19,790,395	$ 23,390,901	$ 4,608,146	$ 3,633,173	$ 24,398,541	$ 27,024,074
Capital assets	73,814,023	61,044,762	39,997,438	41,692,279	113,811,461	102,737,041
Total assets	93,604,418	84,435,663	44,605,584	45,325,452	138,210,002	129,761,115
Liabilities:						
Current liabilities	2,261,979	7,080,504	941,137	1,017,142	3,203,116	8,097,646
Long-term liabilities	386,488	507,883	4,537,128	4,622,086	4,923,616	5,129,969
Total liabilities	2,648,467	7,588,387	5,478,265	5,639,228	8,126,732	13,227,615
Net position:						
Net investment in capital assets	73,814,023	61,044,762	36,963,154	38,510,743	110,777,177	99,555,505
Restricted	6,613,320	5,588,011	410,469	-	7,023,789	5,588,011
Unrestricted	10,528,608	10,214,503	1,753,696	1,175,481	12,282,304	11,389,984
Total net position	90,955,951	76,847,276	39,127,319	39,686,224	130,083,270	116,533,500

Table 2 shows the changes in net position for fiscal years 2014 and 2013

Table 2
Change in Net position

	Year Ended June 30, 2014			Year Ended June 30, 2013		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Revenues:						
Program revenues:						
Charges for services	$ 865,699	$ 8,935,917	$ 9,801,616	$ 1,194,898	$ 8,612,380	$ 9,807,278
Operating grants and contributions	1,186,811	689,752	1,876,563	1,280,576	651,290	1,931,866
Capital grants and contributions	13,597,255	355,774	13,953,029	14,675,514	96,730	14,772,244
Total program revenues	15,649,765	9,981,443	25,631,208	17,150,988	9,360,400	26,511,388
General revenues:						
Taxes	8,988,974	-	8,988,974	9,016,627	-	9,016,627
Payment in lieu of tax	804,164	-	804,164	807,352	-	807,352
Interest and investment earnings	31,106	33,028	64,134	34,551	21,070	55,621
Grants and entitlements	388,024	-	388,024	571,703	-	571,703
Insurance refund	49,564	-	49,564	-	-	-
Other	87,502	7,252	94,754	102,265	7,252	109,517
Total general revenues	10,349,334	40,280	10,389,614	10,532,498	28,322	10,560,820
Total revenues	25,999,099	10,021,723	36,020,822	27,683,486	9,388,722	37,072,208
Transfers	(561,801)	561,801	-	(639,286)	639,286	-
Extraordinary item	-	-	-	(1,909,897)	-	(1,909,897)
Total revenues, transfers and extraordinary item	25,437,298	10,583,524	36,020,822	25,134,303	10,028,008	35,162,311

	Year Ended June 30, 2014			Year Ended June 30, 2013		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Expenses:						
General government	$ 3,266,318	$ -	$ 3,266,318	$ 2,676,433	$ -	$ 2,676,433
Public safety	4,473,636	-	4,473,636	4,733,395	-	4,733,395
Public works	2,730,642	-	2,730,642	3,138,499	-	3,138,499
Community services	858,027	-	858,027	914,527	-	914,527
Water and sewer utility	-	7,322,016	7,322,016	-	7,363,806	7,363,806
Municipal dock	-	1,449,660	1,449,660	-	1,380,536	1,380,536
Rental property	-	1,012,956	1,012,956	-	972,940	972,940
Solid waste	-	913,830	913,830	-	880,366	880,366
Public transportation	-	443,967	443,967	-	341,870	341,870
Total expenses	11,328,623	11,142,429	22,471,052	11,462,854	10,939,518	22,402,372
Changes In Net Position	$ 14,108,675	$ (558,905)	$ 13,549,770	$ 13,671,449	$ (911,510)	$ 12,759,939

In FY14, capital grants was, by far the largest revenue source. In a typical year, taxes and charges for services generally represent the largest revenue streams. The larger of these two capital grants affecting revenue for the fiscal year were (1) the Aquatic Health and Safety Center grant and (2) the Salmonberry Police Station Renovation grant.

Compared to the prior fiscal year, the City's tax revenue decreased $27,653 from fiscal year 2013 which represents a 0.3% decrease. Revenue generated from charges for services decreased $329,199 in the governmental activities from the prior year, and increased $323,537 in the business type activities. It is also noteworthy to point out that FY14 is the final year of authorization for the Payment in Lieu of Tax program with the federal government. During FY14, Payment in Lieu of Tax (PILT) represented $804,164 in revenue. Should PILT not be reauthorized before FY15, the City would potentially lose this revenue.

Expenses from governmental activities were $134,231 lower than the prior fiscal year representing a decrease of 1%. Expenses in the business-type activities were $202,911 higher than FY13, an increase of 2%. As the City moves forward in future years, it would be highly advisable to look closely at future increases in tax based revenues compared to expenses from governmental activities. It appears that expenses from governmental activities are rising in cost at a higher rate than revenues from taxes which is obviously our most constant source of revenue.

Financial Analysis of the City's Major Funds

In 2014, the City reported two separate major governmental funds: the General Fund and multi-Use Recreation Center capital project fund. There are four major business-type funds, Water and Sewer, Municipal Dock, Rental Property, and Solid Waste enterprise funds.

The General Fund is accounted for using the modified accrual basis. The General Fund is responsible for generating only 43% of total governmental fund revenues in FY14. This compares to 44% in the prior year. The Multi-Use Rec Center Fund generated $12.7 million in FY14, representing 49% of governmental fund revenues.

Significant revenues in the general fund were: Taxes, $8.4 million (75% of general fund revenue), and State and Federal Grants, $1.8 million (16%).

Of the $9.7 million in General Fund expenditures, personnel and related benefit costs make up the majority of costs at $7 million or 72% of the total. In addition to regular expenses, the general fund recorded net transfers to other funds of $808,920.

In 2014 the City's Water and Sewer Utility and Rental Property funds reported a negative change in net position. The Water and Sewer Utility fund reported a net loss of $418,203. Rental Property funds reported a net loss $202,748.

The Solid Waste fund achieved a net income of $236,795. The net income in the Solid Waste fund was accomplished after having set aside the annual amortization for landfill closure costs. The Municipal Dock fund achieved positive net income of $42,031.

General Fund Budgetary Highlights

The City's budget is prepared according to Alaska law using a basis of accounting that is consistent with accounting principles generally accepted in the United States of America. The most significant budgeted fund is the General Fund.

The City Council amended the General Fund for fiscal year 2014. The amended budget provided for decrease in expenditures totaling $43,989. General government technology and public works operations received the largest share of the decreases, while other functions received overall increases.

The actual revenues were $258,339 less than the amount budgeted. Tax revenues were less than the the budget by $330,118 and State of Alaska funding exceeded the budget by $146,917.

The actual expenditures were $151,859 over budget. Budget variances by functions are shown on exhibit D-1 to the financial statements. The City did budget for the PERS On Behalf allocation in FY14, but that budget amount was significantly lower than the actual amount contributing to many departments ending up over budget. This allocation represents no actual cash outlay to the City but is an internal allocation only. It is not possible to accurately budget for PERS On Behalf due to the fact that the City has no control over the amount determined by the State of Alaska. We currently budget the prior year amount for the current fiscal year.

Capital Assets

At June 30, 2014, the City's capital assets had a total net book value of $113,811,461.

The table below compares the net book values at June 30, 2014 and June 30, 2013.

Capital Assets and Debt Administration

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Land	$ 39,422,784	$39,422,784	$ 2,268,608	$ 2,268,608	$ 41,691,392	$ 41,691,392
Construction in progress	23,950,937	11,492,359	1,592,239	1,201,001	25,543,176	12,693,360
Seawall	-	-	22,716,644	17,264,649	22,716,644	17,264,649
Improvements	848,751	66,714	-	-	848,751	66,714
Buildings, plants and lines	12,497,774	7,845,187	44,120,994	19,997,224	56,618,768	27,842,411
Machinery and equipment	3,408,958	881,276	1,625,415	417,297	5,034,373	1,298,573
Infrastructure	9,692,526	831,198	-	-	9,692,526	831,198
Vehicles	2,462,447	505,244	4,503,161	543,500	6,965,608	1,048,744
	$ 92,284,177	$61,044,762	$ 76,827,061	$ 41,692,279	$169,111,238	$102,737,041

Additional information on the City's capital assets can be found in the notes to the financial statements.

Debt Administration

Lease revenue bond payable of $2,949,000 is recorded in the Business-type Activities column of the Statement of Net position. Additional information relating to debt is summarized in the Notes to the Financial Statements.

Debt Outstanding at June 30th

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Landfill closure	$ -	$ -	$ 1,303,290	$ 1,264,850	$ 1,303,290	$ 1,264,850
Lease revenue bonds payable	-	-	2,940,000	3,080,000	2,940,000	3,080,000
Accrued leave	386,488	507,882	199,554	175,700	586,042	683,582
	$ 386,488	$ 507,882	$ 4,442,844	$ 4,520,550	$ 4,829,332	$ 5,028,432

Economic Condition Summary

The City continues to enjoy a relatively stable economic condition of its municipal finances. The City has experienced no issues with cash flow management. It has maintained very little debt compared to its revenues.

With the implementation of the Tobacco Tax during FY13, the City should have considerably higher tax revenues in future fiscal years. However, with the potential end of the Payment in Lieu of Tax Program representing over $800,000 from the federal government and the start-up of the Aquatic Center, the City will need to address a higher demand for funds in a time when revenue growth is at least challenging.

Contacting the City's Financial Management

This financial report is designed to provide the City's citizens, taxpayers, investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the City of Bethel, Attention: Finance Director, City of Bethel, P.O. Box 1388, Bethel, Alaska 99559.

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Basic Financial Statements

City of Bethel, Alaska

Statement of Net Position

June 30, 2014	Governmental Activities	Business-type Activities	Total
Assets			
Current Assets			
Cash and investments	$ 8,062,572	$ 7,945,169	$ 16,007,741
Accounts receivable (net)	5,784,795	1,305,808	7,090,603
Prepaid items	17,066	-	17,066
Inventory	689,254	183,408	872,662
Internal balances	5,236,708	(5,236,708)	-
Total Current Assets	19,790,395	4,197,677	23,988,072
Long-term Assets			
Restricted cash and investments	-	410,469	410,469
Capital assets not being depreciated	63,373,721	3,860,847	67,234,568
Depreciable capital assets	28,910,456	72,966,214	101,876,670
Accumulated depreciation	(18,470,154)	(36,829,623)	(55,299,777)
Net Capital Assets	73,814,023	39,997,438	113,811,461
Total Long-term Assets	73,814,023	40,407,907	114,221,930
Total Assets	$ 93,604,418	$ 44,605,584	$ 138,210,002
Liabilities and Net Position			
Liabilities			
Current liabilities:			
Accounts payable	$ 1,822,353	$ 112,752	$ 1,935,105
Accrued liabilities	144,583	56,189	200,772
Utility deposits	-	260,017	260,017
Unearned revenue	295,043	474,841	769,884
Accrued interest payable	-	37,338	37,338
Total Current Liabilities	2,261,979	941,137	3,203,116
Long-term liabilities:			
Due within one year:			
Accrued leave	386,488	199,554	586,042
Bonds payable	-	150,000	150,000
Due in more than one year:			
Bonds payable	-	2,790,000	2,790,000
Unamortized bond premium	-	94,284	94,284
Liabilities for landfill closure	-	1,303,290	1,303,290
Total Long-term Liabilities	386,488	4,537,128	4,923,616
Total Liabilities	2,648,467	5,478,265	8,126,732
Net Position			
Net investment in capital assets	73,814,023	36,963,154	110,777,177
Restricted	6,613,320	410,469	7,023,789
Unrestricted	10,528,608	1,753,696	12,282,304
Total Net Position	90,955,951	39,127,319	130,083,270
Total Liabilities and Net Position	$ 93,604,418	$ 44,605,584	$ 138,210,002

See accompanying notes to basic financial statements

City of Bethel, Alaska

Statement of Activities

Year Ended June 30, 2014	Expenses	Program Revenues: Fees, Fines & Charges for Services	Program Revenues: Operating Grants and Contri-butions	Program Revenues: Capital Grants and Contri-butions	Net (Expense) Revenue and Changes in Net Position: Govern-mental Activities	Net (Expense) Revenue and Changes in Net Position: Business-type Activities	Net (Expense) Revenue and Changes in Net Position: Total
Functions							
Governmental Activities							
General government	$ 3,491,233	$ 696,480	$ 208,873	$ -	$ (2,585,880)	$ -	$ (2,585,880)
Public safety	4,248,721	135,002	820,870	605,178	(2,687,671)	-	(2,687,671)
Public works	2,730,643	-	104,353	959,852	(1,666,438)	-	(1,666,438)
Community services	858,026	34,217	52,715	12,032,225	11,261,131	-	11,261,131
Total Governmental Activities	11,328,623	865,699	1,186,811	13,597,255	4,321,142	-	4,321,142
Business-type Activities							
Water and sewer utility	7,322,016	5,727,221	258,294	211,462	-	(1,125,039)	(1,125,039)
Municipal dock	1,449,660	1,281,937	38,678	144,312	-	15,267	15,267
Rental property	1,012,956	758,725	-	-	-	(254,231)	(254,231)
Solid waste	913,830	1,128,151	43,845	-	-	258,166	258,166
Public transit	443,967	39,883	348,935	-	-	(55,149)	(55,149)
Total Business-type Activities	11,142,429	8,935,917	689,752	355,774	-	(1,160,986)	(1,160,986)
Total Primary Government	$ 22,471,052	$ 9,801,616	$ 1,876,563	$ 13,953,029	4,321,142	(1,160,986)	3,160,156
General Revenues							
Taxes, including penalties and interest					8,988,974	-	8,988,974
Payments in lieu of taxes					804,164	-	804,164
Grants and entitlements not restricted to a specific purpose					388,024	-	388,024
Investment income					31,106	33,028	64,134
Insurance refund					49,564	-	49,564
Other					87,502	7,252	94,754
Transfers					(561,801)	561,801	-
Total General Revenues and Transfers					9,787,533	602,081	10,389,614
Change in net position					14,108,675	(558,905)	13,549,770
Net Position, beginning of year					76,847,276	39,686,224	116,533,500
Net Position, end of year					$ 90,955,951	$ 39,127,319	$ 130,083,270

See accompanying notes to basic financial statements

City of Bethel, Alaska

Balance Sheet - Governmental Funds

June 30, 2014	General Fund	Multi-Use Recreation Center Capital Project Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets				
Cash and investments	$ 4,066,162	$ 963,466	$ 3,032,944	$ 8,062,572
Receivables, net	932,946	4,665,660	186,189	5,784,795
Inventory	308,015	-	-	308,015
Prepaid items	17,066	-	-	17,066
Due from other funds	505,152	-	-	505,152
Advances to other funds	4,844,815	-	-	4,844,815
Total Assets	$ 10,674,156	$ 5,629,126	$ 3,219,133	$ 19,522,415
Liabilities, Deferred Inflows and Fund Balances				
Liabilities				
Accounts payable	$ 377,521	$ 1,046,105	$ 33,228	$ 1,456,854
Accrued payroll	-	-	894	894
Accrued liabilities	137,215	-	-	137,215
Due to other funds	-	-	249,478	249,478
Unearned revenue	28,356	196,969	69,718	295,043
Total Liabilities	543,092	1,243,074	353,318	2,139,484
Deferred Inflows of Resources				
Sales taxes	54,259	-	-	54,259
Fund Balances				
Nonspendable	5,169,896	-	-	5,169,896
Restricted	-	4,386,052	2,227,268	6,613,320
Assigned	-	-	709,776	709,776
Unassigned	4,906,909	-	(71,229)	4,835,680
Total Fund Balances	10,076,805	4,386,052	2,865,815	17,328,672
Total Liabilities, Defered Inflows and Fund Balances	$ 10,674,156	$ 5,629,126	$ 3,219,133	$ 19,522,415

See accompanying notes to basic financial statements

City of Bethel, Alaska

Reconciliation of Governmental Funds Balance Sheet to Statement of Net Position

June 30, 2014

Total fund balances for governmental funds			$ 17,328,672
Total net position reported for governmental activities in the Statement of Net Position is different because:			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:			
Capital assets not being depreciated:			
Land	$ 39,422,784		
Construction in progress	23,950,937		
Total capital assets not being depreciated		$ 63,373,721	
Depreciable capital assets:			
Improvements	848,751		
Buildings	12,497,774		
Equipment	3,408,958		
Infrastructure	9,692,526		
Vehicles	2,462,447		
Total depreciable capital assets		28,910,456	
Accumulated depreciation		(18,470,154)	
Total capital assets			73,814,023
Sales taxes not collected within 60 days of year end are not deemed available and are deferred in the fund statements.			54,259
Long term liabilities are not deemed due and payable in the current period and are therefore not reported as governmental fund liabilities.			
Accrued leave			(368,243)
Internal service funds are used by the City to charge the cost of health insurance, and vehicle and equipment maintenance to individual funds. Internal service fund assets and liabilities are included with governmental activities in the Statement of Net Position.		134,093	
Less amount reported for capital assets above		(6,853)	
			127,240
Total Net Position of Governmental Activities			$ 90,955,951

See accompanying notes to basic financial statements

City of Bethel, Alaska

Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds

Year Ended June 30, 2014	General Fund	Multi-Use Recreation Center Capital Project Fund	Nonmajor Govern-mental Funds	Total Govern-mental Funds
Revenues				
Federal sources	$ 804,164	$ -	$ 141,705	$ 945,869
State of Alaska	964,836	12,032,225	1,788,983	14,786,044
Local sources:				
Taxes	8,366,582	649,179	-	9,015,761
Charges for services	155,891	-	187,210	343,101
Rental income	4,720	-	-	4,720
Permits, licenses and fees	690,074	-	-	690,074
Income from investments	16,215	351	14,540	31,106
Miscellaneous	100,348	-	108,863	209,211
Total Revenues	11,102,830	12,681,755	2,241,301	26,025,886
Expenditures				
Current:				
General government	2,583,708	-	-	2,583,708
Public safety	4,143,642	-	454,736	4,598,378
Public works	2,259,061	-	258,987	2,518,048
Community services	789,477	-	25,098	814,575
Capital outlay	-	12,032,225	1,448,629	13,480,854
Total Expenditures	9,775,888	12,032,225	2,187,450	23,995,563
Excess of revenues over expenditures	1,326,942	649,530	53,851	2,030,323
Other Financing Sources (Uses)				
Transfers in	10,191	-	275,000	285,191
Transfers out	(808,920)	-	(10,191)	(819,111)
Net Other Financing Sources (Uses)	(798,729)	-	264,809	(533,920)
Net change in fund balances	528,213	649,530	318,660	1,496,403
Fund Balances, beginning of year	9,548,592	3,736,522	2,547,155	15,832,269
Fund Balances, end of year	$ 10,076,805	$ 4,386,052	$ 2,865,815	$ 17,328,672

See accompanying notes to basic financial statements

City of Bethel, Alaska

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities
Year Ended June 30, 2014

Net change in fund balances - total governmental funds		$ 1,496,403
The change in net position reported for governmental activities in the Statement of Activities is different because:		
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.		
Capital outlay	$ 13,382,678	
Depreciation	(613,417)	
		12,769,261
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. This is the increase in deferred tax revenue.		(26,787)
The issuance of long-term debt (e.g. bonds, notes, and accrued leave) provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes current financial resources of governmental funds. Neither transaction, however, has any effect on net position Differences in the treatment of long-term debt and related items include:		
Accrued leave decrease		120,526
Internal service funds are used by management to charge the cost of certain activities to individual funds. The net loss of the internal service funds (excluding the portion allocated to business-type activities) is reported within the governmental activities	(252,477)	
Less change attributable to depreciation above	1,749	
		(250,728)
Change in Net Position of Governmental Activities		$ 14,108,675

See accompanying notes to basic financial statements

City of Bethel, Alaska

Statement of Net Position
Proprietary Funds

June 30, 2014	Major Enterprise Funds: Water and Sewer Utility	Municipal Dock	Rental Property	Solid Waste	Nonmajor Enterprise Fund: Public Transit	Total Enterprise Funds	Governmental Activities: Internal Service Funds
Assets							
Current Assets							
Cash and investments	$ -	$ 5,409,497	$ -	$ 2,535,672	$ -	$ 7,945,169	$ -
Accounts receivable (net)	682,501	396,749	18,210	126,664	81,684	1,305,808	-
Inventory	119,762	48,725	10,116	4,805	-	183,408	381,239
Total Current Assets	802,263	5,854,971	28,326	2,667,141	81,684	9,434,385	381,239
Long-term Assets							
Restricted cash - bond reserve	-	-	410,469	-	-	410,469	-
Capital assets:							
Land	-	2,207,356	43,000	18,252	-	2,268,608	-
Construction in progress	912,464	679,775	-	-	-	1,592,239	-
Depreciable assets	35,280,106	26,272,698	9,794,679	1,327,317	291,414	72,966,214	98,890
Less accumulated depreciation	(23,596,532)	(7,926,591)	(4,030,940)	(1,086,196)	(189,364)	(36,829,623)	(92,037)
Net capital assets	12,596,038	21,233,238	5,806,739	259,373	102,050	39,997,438	6,853
Total Long-term Assets	12,596,038	21,233,238	6,217,208	259,373	102,050	40,407,907	6,853
Total Assets	$ 13,398,301	$ 27,088,209	$ 6,245,534	$ 2,926,514	$ 183,734	$ 49,842,292	$ 388,092
Liabilities and Net Position							
Liabilities							
Current Liabilities							
Accounts and claims payable	$ 42,962	$ 25,825	$ 21,275	$ 17,288	$ 5,402	$ 112,752	$ 365,499
Accrued payroll	38,432	8,749	-	5,929	3,079	56,189	6,474
Accrued leave	105,010	24,639	-	63,632	6,273	199,554	18,245
Deposits	260,017	-	-	-	-	260,017	-
Unearned revenue	-	474,841	-	-	-	474,841	-
Due to other funds	-	-	-	-	78,381	78,381	177,293
Current portion - bonds payable	-	-	150,000	-	-	150,000	-
Accrued interest payable	-	-	37,338	-	-	37,338	-
Total Current Liabilities	446,421	534,054	208,613	86,849	93,135	1,369,072	567,511
Long-term Liabilities							
Advances from other funds	3,915,855	-	928,960	-	-	4,844,815	-
Bonds payable, net of current portion	-	-	2,790,000	-	-	2,790,000	-
Unamortized bond premium	-	-	94,284	-	-	94,284	-
Liabilities for landfill closure	-	-	-	1,303,290	-	1,303,290	-
Total Long-term Liabilities	3,915,855	-	3,813,244	1,303,290	-	9,032,389	-
Total Liabilities	4,362,276	534,054	4,021,857	1,390,139	93,135	10,401,461	567,511
Net Position							
Net investment in capital assets	12,596,038	21,233,238	2,772,455	259,373	102,050	36,963,154	-
Restricted - bond reserve	-	-	410,469	-	-	410,469	-
Unrestricted (deficits)	(3,560,013)	5,320,917	(959,247)	1,277,002	(11,451)	2,067,208	(179,419)
Total Net Position	9,036,025	26,554,155	2,223,677	1,536,375	90,599	39,440,831	(179,419)
Total Liabilities and Net Position	$ 13,398,301	$ 27,088,209	$ 6,245,534	$ 2,926,514	$ 183,734		$ 388,092

Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds	$ (313,512)
Net Position of Business-Type Activities	$ 39,127,319

See accompanying notes to basic financial statements

City of Bethel, Alaska

Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds

Year Ended June 30, 2014	Major Enterprise Funds: Water and Sewer Utility	Municipal Dock	Rental Property	Solid Waste	Nonmajor Enterprise Fund: Public Transit	Total Enterprise Funds	Governmental Activities: Internal Service Funds
Operating Revenues							
Charges for services	$ 5,503,702	$ 1,250,264	$ 758,725	$ 1,127,787	$ 39,883	$ 8,680,361	$ 2,875,183
Other	223,519	31,673	-	364	-	255,556	-
Total Operating Revenues	5,727,221	1,281,937	758,725	1,128,151	39,883	8,935,917	2,875,183
Operating Expenses							
Personnel	3,123,811	461,609	-	534,799	253,416	4,373,635	682,836
Travel and training	3,735	7,572	-	3,241	-	14,548	10,348
Materials and supplies	173,934	11,254	-	11,298	18,893	215,379	198,750
Utilities and fuel	1,540,326	96,127	357,770	81,208	76,293	2,151,724	122,961
Claims	-	-	-	-	-	-	1,605,916
Minor equipment and tools	83,026	22,315	-	6,857	3,184	115,382	42,659
Depreciation and amortization	1,122,280	589,771	327,413	53,186	35,307	2,127,957	1,749
Other purchased services	92,292	16,918	8,181	27,969	1,032	146,392	45,885
Insurance	86,170	19,826	17,113	11,281	5,581	139,971	581,417
Repairs and maintenance	702,760	167,380	112,728	69,724	24,371	1,076,963	7,873
Landfill closure costs	-	-	-	38,440	-	38,440	-
Other overhead	221,489	40,982	-	62,198	16,936	341,605	51,374
Other expenses	38,707	1,390	-	-	300	40,397	2,042
Total Operating Expenses	7,188,530	1,435,144	823,205	900,201	435,313	10,782,393	3,353,810
Income (loss) from operations	(1,461,309)	(153,207)	(64,480)	227,950	(395,430)	(1,846,476)	(478,627)
Nonoperating Revenues (Expenses)							
Interest expense	-	-	(189,751)	-	-	(189,751)	-
Amortization of bond premium	-	-	7,252	-	-	7,252	-
Investment income	-	14,367	18,661	-	-	33,028	-
FTA grant	-	-	-	-	229,571	229,571	-
Local grant	-	-	-	-	98,797	98,797	-
State PERS relief	258,294	38,678	-	43,845	20,567	361,384	55,865
Net Nonoperating Revenues (Expenses)	258,294	53,045	(163,838)	43,845	348,935	540,281	55,865
Income (loss) before contributions and transfers	(1,203,015)	(100,162)	(228,318)	271,795	(46,495)	(1,306,195)	(422,762)
Capital contributions	211,462	172,193	-	-	-	383,655	-
Transfers in	643,350	-	25,570	-	-	668,920	-
Transfers out	(70,000)	(30,000)	-	(35,000)	-	(135,000)	-
Change in net position	(418,203)	42,031	(202,748)	236,795	(46,495)	(388,620)	(422,762)
Net Position, beginning of year	9,454,228	26,512,124	2,426,425	1,299,580	137,094		243,343
Net Position, end of year	$ 9,036,025	$ 26,554,155	$ 2,223,677	$ 1,536,375	$ 90,599		$ (179,419)
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds						(170,285)	
Change in Net Position of Business-Type Activities						$ (558,905)	

See accompanying notes to basic financial statements

City of Bethel, Alaska

Statement of Cash Flows
Proprietary Funds

Year Ended June 30, 2014	Major Enterprise Funds: Water and Sewer Utility	Municipal Dock	Rental Property	Solid Waste	Nonmajor Enterprise Fund: Public Transit	Total Enterprise Funds	Governmental Activities: Internal Service Funds
Cash Flows from (for) Operating Activities							
Receipts from customers	$ 5,568,058	$ 1,041,630	$ 747,226	$ 1,108,702	$ 39,883	$ 8,505,499	$ 2,875,483
Payment to suppliers	(3,012,221)	(366,392)	(499,485)	(266,748)	(142,283)	(4,287,129)	(2,660,697)
Payment to employees	(2,879,217)	(405,763)	-	(472,245)	(229,160)	(3,986,385)	(628,747)
Net cash flows from (for) operating activities	(323,380)	269,475	247,741	369,709	(331,560)	231,985	(413,961)
Cash Flows from (for) Noncapital Financing Activities							
Operating grants	-	-	-	-	332,051	332,051	-
Transfers in	643,350	-	25,570	-	-	668,920	-
Transfers out	(70,000)	(30,000)	-	(35,000)	-	(135,000)	-
Increase (decrease) due to other funds	-	-	-	-	(491)	(491)	177,293
Increase (decrease) in advances from other funds	(338,920)	-	19,102	-	-	(319,818)	-
Net cash flows from (for) noncapital financing activities	234,430	(30,000)	44,672	(35,000)	331,560	545,662	177,293
Cash Flows from (for) Capital and Related Financing Activities							
Acquisition and construction of capital assets	(211,463)	(49,460)	-	-	-	(260,923)	-
Capital contributions received	300,413	-	-	-	-	300,413	-
Principal paid on long-term debt	-	-	(140,000)	-	-	(140,000)	-
Interest paid on long-term debt	-	-	(152,413)	-	-	(152,413)	-
Net cash flows from (for) capital and related financing activities	88,950	(49,460)	(292,413)	-	-	(252,923)	-
Cash Flows from Investing Activities							
Investment income received	-	14,367	18,661	-	-	33,028	-
Net increase (decrease) in cash and cash equivalents	-	204,382	18,661	334,709	-	557,752	(236,668)
Cash and Cash Equivalents, beginning of year	-	5,205,115	391,808	2,200,963	-	7,797,886	236,668
Cash and Cash Equivalents, end of year	$ -	$ 5,409,497	$ 410,469	$ 2,535,672	$ -	$ 8,355,638	$ -
Composed of							
Cash and cash equivalents	$ -	$ 5,409,497	$ -	$ 2,535,672	$ -	$ 7,945,169	$ -
Cash and cash equivalents bond reserve	-	-	410,469	-	-	410,469	-
Total Cash and Cash Equivalents	$ -	$ 5,409,497	$ 410,469	$ 2,535,672	$ -	$ 8,355,638	$ -
Reconciliation of Income (Loss) from Operations to Net Cash Flows from (for) Operating Activities							
Income (loss) from operations	$ (1,461,309)	$ (153,207)	$ (64,480)	$ 227,950	$ (395,430)	$ (1,846,476)	$ (478,627)
Adjustments to reconcile income (loss) from operations to net cash from (for) operating activities:							
Depreciation and amortization	1,122,280	589,771	327,413	53,186	35,307	2,127,957	1,749
PERS on-behalf expense	258,294	38,678	-	43,845	20,567	361,384	55,865
Increase (decrease) in allowance for doubtful accounts	-	-	-	4,275	-	4,275	-
(Increase) decrease in assets:							
Accounts receivable	(179,232)	(109,992)	(11,499)	(23,724)	-	(324,447)	300
Inventory	(40,659)	97	612	291	-	(39,659)	(114,471)
Increase (decrease) in liabilities:							
Accounts payable	(29,123)	17,275	(4,305)	6,737	4,307	(5,109)	122,999
Accrued leave	(13,705)	15,925	-	17,956	3,678	23,854	(869)
Accrued payroll	5	1,243	-	753	11	2,012	(907)
Deposits/unearned revenue	20,069	(130,315)	-	-	-	(110,246)	-
Landfill closure costs	-	-	-	38,440	-	38,440	-
Net Cash Flows from (for) Operating Activities	$ (323,380)	$ 269,475	$ 247,741	$ 369,709	$ (331,560)	$ 231,985	$ (413,961)

See accompanying notes to basic financial statements

1. Summary of Significant Accounting Policies

Reporting Entity

The City of Bethel, Alaska (City) was incorporated in 1957 as a second-class city and operates under a Council-Manager form of government. The City provides a variety of services including water, sewer, refuse, police and fire protection, street maintenance, public transit, municipal dock and community services.

The City of Bethel is governed by an elected council. As required by accounting principles generally accepted in the United States of America, these financial statements present the City of Bethel only. There are no component units based on operational and financial relationship criteria.

The financial statements of the City have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant accounting principles of the government are described below.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all activities of the City. *Governmental activities*, which normally are supported by local and intergovernmental revenues, are reported separately from the *business-type activities*, which rely to a significant extent on user fees and charges for support. The effect of interfund activity, for the most part, has been removed from these statements.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who use, purchase, or directly benefit from the goods, services or privileges provided by a given segment or function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported as *general revenues*. Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide and proprietary fund financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Fund financial statements for governmental funds are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible in the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 90 days of the end of the current fiscal period. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Taxes, charges for services, intergovernmental revenues and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measured and available only when received by the government.

The City reports the following major governmental funds based on the required quantitative criteria:

The *General Fund* is the City's primary operating fund – it accounts for all financial resources of the City, except those required to be accounted for in another fund.

The *Multi-Use Recreation Center Capital Project Fund* – accounts for activities related to the construction of the Multi-Use Recreation Center facility.

The City reports the following major enterprise funds based on the required quantitative criteria:

The *Water and Sewer Utility Fund* – accounts for the distribution of water and sewer services for the City of Bethel.

The *Municipal Dock Fund* – accounts for all activities of the dock.

The *Rental Property Fund* – accounts for activities related to rents and leases of the Court complex and owned properties of the City of Bethel.

The *Solid Waste Fund* – accounts for solid waste disposal and the municipal landfill.

Additionally, the City reports the following fund types:

Internal Service Funds – the funds account for the employee health insurance benefits and vehicle and maintenance activities of the City and provide this service to other departments and agencies of the City on a cost-reimbursement basis.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the City's enterprise functions and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish *operating revenues* and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds and internal service funds are charges to customers for sales and services. Operating expenses for enterprise funds and the internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported revenues and expenditures or expenses during the reporting period. Actual results could differ from those estimates. Significant estimates include the allowance for doubtful accounts, the useful lives of assets and related accumulated depreciation, accrued landfill closure and post-closure care costs, and health benefit claims incurred but not reported.

Cash and Investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. Allowable investments include the following:

a. U.S. Treasury bills, notes and bonds.

b. Obligations of agencies of the United States.

c. Commercial paper with quality rating not lower than A-1/P-1.

d. Banks acceptances issued by banks with a long-term bond rating of not less than "A" or by branches of banks, whose parent is rated not less than "A".

e. Insured or fully collateralized certificates of deposit of financial institutions.

f. Money market mutual funds or other short-term investment funds which serve to insure full investment on a daily basis. The funds must meet the criteria set forth in a-e above.

g. The Alaska Municipal League Investment Pool, Inc. as authorized under Alaska Statutes 37.23.010 through 37.23.900. The Finance Director is authorized to enter into the agreements and perform all acts required for the City's membership in the Pool.

h. Repurchase agreements secured by Treasury, Agency and Instrumentality securities.

Receivables and Payables

Activity between funds representative of lending/borrowing arrangements that are outstanding at the end of the fiscal year are referred to as either "due from other funds" or "due to other funds" (i.e., the current portion of interfund loans) or "advances to other funds" or "advances from other funds" (i.e. the non-current portion of interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

All tax receivables and other receivables are shown net of an allowance for uncollectible receivables.

Inventories and Prepaid Items

Inventories are valued at cost using the first-in, first-out (FIFO) method. The cost of governmental and business-type activities inventories are recorded as expenditures/expenses when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

Restricted Assets

Monies or other resources, the use of which is restricted by legal or contractual requirements are recorded as restricted assets. Restricted assets include monies required by bond covenants.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than $5,000. Such assets are recorded at historical cost or estimated historical if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Property, plant, and equipment of the City, is depreciated using the straight-line method over the following estimated useful lives.

Dock, seawall, water and sewer line and improvements	20-70
Buildings and improvements	30-35
Motor vehicles and motorized equipment	5-10
Furniture, machinery and equipment	5-10

Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. Vacation and sick pay is recorded when earned in proprietary funds and is reported as a fund liability. Vacation and sick pay that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental-fund type that will pay it. Amounts related to governmental-fund types not expected to be liquidated with expendable available financial resources are reported as long-term liabilities.

Long-Term Obligations

In the government-wide financial statements and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight line interest method.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures. Interest on long-term obligations is recorded as an expenditure when due.

Net Position

In the government-wide financial statements, net position is reported in three categories: net investment in capital assets; restricted net position; and unrestricted net position. Net position is reported as restricted when constraints placed are either externally imposed by creditors (such as through debt covenants), grantors, contributors, provisions or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.

Fund Balances

In the fund financial statements, governmental funds report aggregate amounts for five classifications of fund balances based on the constraints imposed on the use of these resources. Nonspendable fund balance includes amounts that cannot be spent because they are either (a) not in spendable form—prepaid items or inventories; or (b) legally or contractually required to be maintained intact.

Restricted fund balance – This classification reflects the constraints imposed on resources either (a) externally by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed fund balance – These amounts can only be used for specific purposes pursuant to constraints imposed by formal ordinances of the City Council—the government's highest level of decision making authority. Those committed amounts cannot be used for any other purpose unless the City Council removes the specified use by taking the same type of action imposing the commitment. This classification also includes contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned fund balance – This classification reflects the amounts constrained by the City's "intent" to be used for specific purposes, but are neither restricted nor committed. The City Council has the authority to assign amounts to be used for specific purposes. Assigned fund balances include all remaining amounts (except negative balances) that are reported in governmental funds, other than the General Fund, that are not classified as nonspendable and are neither restricted nor committed.

Unassigned fund balance – This fund balance is the residual classification for the General Fund. It is also used to report negative fund balances in other governmental funds.

When both restricted and unrestricted resources are available for use, it is the City's policy to use externally restricted resources first, then unrestricted resources—committed, assigned, and unassigned—in order as needed.

Comparative Data

Comparative data for the prior year have been presented in some of the accompanying individual financial statements in order to provide an understanding of changes in the City's financial position and operations. Certain amounts in the prior year data have been reclassified to conform to the current year's presentation.

2. Stewardship, Compliance, and Accountability

Budgetary Information

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the General Fund and most Special Revenue Funds. The Capital Project Funds adopt project-length budgets. All annual appropriations lapse at fiscal year-end.

The budget is prepared by fund, function and department. Budgetary control is exercised at the department or function level. The City Manager is authorized to transfer budget amounts up to $5,000 between expenditure/expense categories within any department; however, any supplemental appropriations that amend the total expenditures/expenses of any department, or transfers exceeding $5,000, require City Council approval.

Encumbrance accounting is employed in governmental fund types. Encumbrances, if any, (e.g., purchase orders, contracts) outstanding at year end are reported as appropriate constraints of fund balance if they meet the definitions described in the fund balance section of these notes.

Excess of Expenditures Over Appropriations

For the year ended June 30, 2014, expenditures and transfers out exceeded appropriations in the General Fund as follows:

	Amount of Over Expenditure
General government:	
Administration	$ 91,576
Planning	728
Technology	58,090
City attorney	14,084
Public safety -	
Fire department	52,708
Public works -	
Operations	129,922
Property maintenance	19,947
Community services -	
Special projects	6,910

Deficit Fund Balance/Unrestricted Net Position

The following funds reported a fund deficit as of June 30, 2014:

	Deficit Balance
Special Revenue Funds:	
Police Asset Forfeiture	$ 64,430
Community Service Patrol	31
Capital Project Fund -	
Land Planning Development	6,768
Internal Service Fund -	
Employee Health Insurance	474,600

In addition, the following Enterprise Funds are reporting deficits in the unrestricted net position category:

		Unrestricted Deficit Balance
Water and Sewer Utility	$	3,560,013
Rental Property		959,247
Public Transit		11,451

These deficits are expected to be covered by future operations or transfers from the General Fund, or in the case of the Health Insurance Fund, possible premium increases.

3. Cash and Investments

All deposits are carried at cash value plus accrued interest. The City's deposit and investment policy requires all cash deposits to be fully insured or collateralized.

June 30, 2014		Carrying Balance
Bank deposits	$	5,437,932
Money market funds		5,600,946
Investments		5,379,332
Total Cash And Investments	$	16,418,210

Cash and investments reported in the Statement of Net Position are as follows:

June 30, 2014		Carrying Balance
Cash and investments	$	16,007,741
Restricted cash and investments		410,469
Total Cash And Investments	$	16,418,210

Custodial Credit Risk – Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City requires all deposits to be insured or collateralized. At June 30, 2014, the City's bank deposits are insured up to $250,000 by the Federal Deposit Insurance Corporation. The remainder is collateralized by governmental securities held by the City's agent in the City's name.

Interest Rate Risk

Interest rate risk is the risk that changes in the market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates.

June 30, 2014		Investment Maturities in Years		
Investment Type	Fair Value	Less than 1	1-5	More than 5
Investment subject to interest rate risk:				
Certificates of deposit	$ 4,350,220	$ 1,721,247	$ 2,218,504	$ 410,469
U.S. government bonds	914,015	-	914,015	-
U.S. agency securities	115,097	-	115,097	-
Total	$ 5,379,332	$ 1,721,247	$ 3,247,616	$ 410,469

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4. Accounts Receivable

Receivables at June 30, 2014, for the City's individual major funds and other nonmajor funds, including applicable allowance for doubtful accounts, are as follows:

June 30, 2014	General Fund	Multi-use Recreation Center Capital Project Fund	Nonmajor Govern-mental Funds	Water and Sewer Utility	Municipal Dock
Grants receivable	$ -	$ 4,665,660	$ 186,189	$ 7,779	$ -
Accounts	664,773	-	-	726,261	455,174
Taxes receivable:					
Lodging	72,745	-	-	-	-
Sales	668,788	-	-	-	-
Gaming	105,669	-	-	-	-
Tobacco	37,653	-	-	-	-
Other	3,464	-	-	-	-
Less allowance for doubtful accounts	(620,146)	-	-	(51,539)	(58,425)
Net Receivables	$ 932,946	$ 4,665,660	$ 186,189	$ 682,501	$ 396,749

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Accounts Receivable, continued

June 30, 2014	Rental Property	Solid Waste	Nonmajor Public Transit	Totals
Grants receivable	$ -	$ -	$ 81,684	$ 4,941,312
Accounts	24,327	138,742	-	2,009,277
Taxes receivable:				
Lodging	-	-	-	72,745
Sales	-	-	-	668,788
Gaming	-	-	-	105,669
Tobacco	-	-	-	37,653
Other	-	-	-	3,464
Less allowance for doubtful accounts	(6,117)	(12,078)	-	(748,305)
Net Receivables	$ 18,210	$ 126,664	$ 81,684	$ 7,090,603

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5. Capital Assets

Capital asset activity for the year ended June 30, 2014 was as follows:

	Balance July 1, 2013	Additions and Reclassifi-cations	Deletions and Reclassifi-cations	Balance June 30, 2014
Governmental Activities				
Capital assets not being depreciated:				
Land	$ 39,422,784	$ -	$ -	$ 39,422,784
Construction in progress	11,492,359	12,458,578	-	23,950,937
Total capital assets not being depreciated	50,915,143	12,458,578	-	63,373,721
Capital assets being depreciated				
Improvements	98,155	750,596	-	848,751
Buildings	12,478,304	19,470	-	12,497,774
Machinery and equipment*	3,354,242	54,716	-	3,408,958
Infrastructure	9,593,208	99,318	-	9,692,526
Vehicles	2,462,447	-	-	2,462,447
Total capital assets being depreciated	27,986,356	924,100	-	28,910,456
Less accumulated depreciation for:				
Improvements	31,441	-	-	31,441
Buildings	4,633,117	215,175	-	4,848,292
Machinery and equipment*	2,472,966	209,395	-	2,682,361
Infrastructure	8,762,010	76,677	-	8,838,687
Vehicles	1,957,203	112,170	-	2,069,373
Total accumulated depreciation	17,856,737	613,417	-	18,470,154
Net capital assets being depreciated	10,129,619	310,683	-	10,440,302
Total Governmental Activities Capital Assets, Net	$ 61,044,762	$ 12,769,261	$	$ 73,814,023
Business-type Activities				
Capital assets not being depreciated:				
Land	$ 2,268,608	$ -	$ -	$ 2,268,608
Construction in progress	1,201,001	391,238	-	1,592,239
Total capital assets not being depreciated	3,469,609	391,238	-	3,860,847
Capital assets being depreciated				
Seawall	22,716,644	-	-	22,716,644
Buildings, plants and lines	44,120,994	-	-	44,120,994
Machinery and equipment	1,611,418	13,997	-	1,625,415
Vehicles	4,475,280	27,881	-	4,503,161
Total capital assets being depreciated	72,924,336	41,878	-	72,966,214

	Balance July 1, 2013	Additions and Reclassifications	Deletions and Reclassifications	Balance June 30, 2014
Business-type Activities, continued				
Less accumulated depreciation for:				
Seawall	$ 5,451,995	$ 454,333	$ -	$ 5,906,328
Buildings, plants and lines	24,123,770	1,413,324	-	25,537,094
Machinery and equipment	1,194,121	93,480	-	1,287,601
Vehicles	3,931,780	166,820	-	4,098,600
Total accumulated depreciation	34,701,666	2,127,957	-	36,829,623
Net capital assets being depreciated	38,222,670	(2,086,079)	-	36,136,591
Total Business-type Activities Capital Assets, Net	$ 41,692,279	$ (1,694,841)	$ -	$ 39,997,438

*Governmental activities capital assets includes $6,853 capital assets, net of accumulated depreciation from internal service funds.

Depreciation expense was charged to governmental functions as follows for the Year ended June 30, 2014:

Governmental Activities	
General government	$ 61,962*
Public safety	209,760
Public works	255,101
Community services	86,594
Total Depreciation Expense – Governmental Activities	$ 613,417

*Includes $1,749 from internal service funds.

Business Type Activities	
Water and sewer	$ 1,122,280
Municipal dock	589,771
Rental property	327,413
Solid waste	53,186
Public transit	35,307
Total Depreciation Expense – Business Type Activities	$ 2,127,957

6. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of June 30, 2014, is as follows:

Due From/To other Funds:

Due to the General Fund from:	
Internal service funds for short-term operating and capitaladvances	$ 177,293
Nonmajor governmental funds for short-term operating advances	249,478
Nonmajor enterprise fund for short-term operating advances	78,381
Total Due to the General Fund	$ 505,152

The outstanding balances between funds result from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Certain interfund balances have been deemed long-term in nature. As a result these items have been classified as long-term advances to/from (receivable/payable) from other funds as follows as of June 30, 2014:

	Advances To (Receivable)	Advances From (Payable)
General Fund	$ 4,844,815	$ -
Water and Sewer Utility Enterprise Fund	-	3,915,855
Rental Property Enterprise Fund	-	928,960
Total	$ 4,844,815	$ 4,844,815

Transfers	
From the General Fund to:	
Water and Sewer Utility Enterprise Fund for operating subsidies	$ 643,350
Park Development Fund for operating subsidy	140,000
Rental Property Enterprise Fund for operating subsidies	25,570
From nonmajor governmental funds to the General Fund for annual budget operating subsidy	10,191
From the Water and Sewer Utility Enterprise Fund to Fleet Replacement Capital Project Fund for capital outlay	70,000
From the Municipal Dock Enterprise Fund to Fleet Replacement Capital Project Fund for capital outlay	$ 30,000
From the Solid Waste Enterprise Fund to Fleet Replacement Capital Project Fund for capital outlay	35,000
Total Transfers to Other Funds	$ 954,111

7. Long-term Debt

During the year ended June 30, 2014, the following changes occurred in liabilities payable from governmental funds.

	Balance July 1, 2013	Additions	Deletions	Balance June 30, 2014	Amount Due in One Year
Accrued leave	$ 507,882	$ 362,019	$ 483,413	$ 386,488	$ 386,488*

* Long-term liabilities reported here include $18,245 in accrued leave from the Internal Service Funds.

During the year ended June 30, 2014, the following changes occurred in long-term debt of business-type activities:

	Balance July 1, 2013	Additions	Deletions	Balance June 30, 2014	Amount Due in One Year
Revenue Bonds payable	$ 3,080,000	$ -	$ 140,000	$ 2,940,000	$ 150,000
Landfill closure	1,264,850	38,440	-	1,303,290	-
Accrued leave	175,700	23,854	-	199,554	199,554
Total Business-Type Activities	$ 4,520,550	$ 62,294	$ 140,000	$ 4,442,844	$ 349,554

Lease Revenue Bonds

The bonds payable, with an outstanding balance of $2,940,000 as of June 30, 2014 is recorded in the Rental Property Enterprise Fund. The initial principal amount of the bond was $3,680,000. Interest payments are payable semi-annually on September 1st and March 1st, and principal payments are payable annually on September 1st. Interest is charged at a variable rate, currently at 4.5%. The bond covenants require a reserve account be established at the maximum annual debt service requirement over the life of the bond in order. The balance of the reserve at June 30, 2014 is $410,469, which exceeds the minimum requirement of $299,750. Because the funds are held in a separate bank account, the entire balance of the account has been reflected as restricted on the Statement of Net Position.

Annual payments to maturity of the Lease Revenue Bonds is as follows:

Fiscal Year ended June 30,	Principal	Interest	Total
2015	$ 150,000	$ 145,225	$ 295,225
2016	155,000	136,838	291,838
2017	165,000	128,037	293,037
2018	175,000	119,125	294,125
2019	185,000	110,125	295,125
2020-2024	1,055,000	401,125	1,456,125
2025-2028	1,055,000	108,875	1,163,875
	$ 2,940,000	$ 1,149,350	$ 4,089,350

Bond premiums of $145,048 are being amortized over the life of the lease revenue bonds. For the year ended June 30, 2014, amortization of $7,252 was recorded. The remaining unamortized balance is $94,284.

8. Landfill Closure and Post-Closure Liability

State and federal laws and regulations require the City to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Requirements come from the Environmental Protection Agency rule "Solid Waste Disposal Facility Criteria" parts 257 and 258. These requirements are being enforced by the United States Environmental Protection Agency and the State of Alaska Department of Environmental Conservation. Although closure and post-closure care costs will be paid only near or after the date the landfill stops accepting waste, accounting principles generally accepted in the United States of America require that the City report a portion of these closure and post-closure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. Based upon an engineering study updated in 2009, at present fill rates, the landfill is expected to reach capacity in 2038, or approximately 24 years. The cost of landfill closure is estimated to be $1,767,420 and post-closure monitoring costs is estimated to be approximately $14,000 per year for 30 years ($420,000). The City accrued $38,440 in landfill closure costs for the year ended June 30, 2014, and has accrued a total liability of $1,303,290 at June 30, 2014. These amounts are based on what it would cost to perform all the closure and post-closure functions in 2014. Actual costs of closure and post-closure care may be higher due to inflation, changes in technology, or changes in laws and regulations.

Currently, no assets of the City are restricted for payment of closure and post-closure care costs. Future inflation costs and additional costs that might arise from changes in closure and post-closure requirements (due to changes in technology or more rigorous environmental regulations, for example) may need to be covered by charges to future landfill users, taxpayers, or both.

9. Fund Balances

Fund balances, reported for the major funds and the nonmajor funds in the aggregate on the governmental funds balance sheet are subject to the following constraints:

	General Fund	Multi-Use Recreation Center Capital Project Fund	Nonmajor Funds	Totals
Nonspendable:				
Inventory	$ 308,015	$ -	$ -	$ 308,015
Prepaid items	17,066	-	-	17,066
Advances to other funds	4,844,815	-	-	4,844,815
Total nonspendable	5,169,896	-	-	5,169,896
Restricted:				
Endowment	-	-	1,861,217	1,861,217
Multi-use recreation center	-	4,386,052	-	4,386,052
E-911	-	-	366,051	366,051
Total restricted	-	4,386,052	2,227,268	6,613,320
Assigned:				
Capital projects	-	-	709,776	709,776
Total assigned	-	-	709,776	709,776
Unassigned (Deficit)	4,906,909	-	(71,229)	4,835,680
Total Fund Balances	$ 10,076,805	$ 4,386,052	$ 2,865,815	$ 17,328,672

10. Net Position

Designated Net Position

The City assesses a fee for the use of the petroleum dock facility. In 1997, the City Council authorized the designation of 50% of the fuel throughput revenue for future maintenance of the seawall. Net position under this designation in the Municipal Dock Fund had a balance of $3,893,619 at June 30, 2014.

In 2010, the City passed an ordinance establishing a bank account to hold cash associated with the designated net position for the seawall. At June 30, 2014, that account had a balance of $1,432,918.

11. Endowment Permanent Fund

The City established an Endowment Permanent Fund to maximize income for the continuing operations of the general government. The Endowment Fund principal may not be spent by the City without approval of a majority of the voters at a general or special election. However, in accordance with the City Council's ordinance establishing the Endowment Fund, 70% of the Fund's prior year investment earnings are to be transferred to the General Fund on an annual basis to help offset operating costs. The transfer for the year ended June 30, 2014 was $4,812.

12. Defined Benefit Pension Plan

The City participates in the Public Employees' Retirement System (PERS). PERS is a cost- sharing multiple employer plan which covers eligible State and local government employees, other than teachers. The Plan was established and is administered by the State of Alaska Department of Administration to provide pension, postemployment healthcare, death, and disability benefits. Benefit and contribution provisions are established by State law and may be amended only by the State Legislature.

The Plan is included in a comprehensive annual financial report that includes financial statements and other required supplemental information. The report is available at the following address:

Department of Administration
Division of Retirement and Benefits
P.O. Box 110203
Juneau, Alaska 99811-0203

Conversion to Cost Sharing

In April 2008, the Alaska Legislature passed legislation which converted the existing Public Employees Retirement System (PERS) from an agent-multiple employer plan to a cost-sharing plan with an effective date of July 1, 2008. Under the cost-sharing arrangement, the State of Alaska Division of Retirement and Benefits no longer tracks individual employer assets and liabilities. Rather, all plan costs and past service liabilities are shared among all participating employers.

That same year, the State of Alaska passed additional legislation which statutorily capped the employer contribution, established a state funded "on-behalf" contribution, and required that employer contributions be calculated against all PERS eligible wages, including wages attributable to the defined contribution plan described later in these footnotes.

Employee Contribution Rates

Regular employees are required to contribute 6.75% of their annual covered salary (2.97% for pension and 3.78% for healthcare). Police and firefighters are required to contribute 7.5% of their annual covered salary (3.29% for pension and 4.21% for healthcare).

Employer and Other Contribution Rates

There are three contribution rates associated with the pension and healthcare contributions and related liabilities:

Contractual Rate: This is the required funding rate for participating employers. The contractual rate is statutorily capped at 22% of eligible wages, subject to a wage floor, and other termination events. This 22% rate includes all PERS participating wages, including those wages attributable to employees in the defined contribution plan.

ARM Board Adopted Rate: This is the rate formally adopted by the Alaska Retirement Management Board. This rate is actuarially determined to calculate annual funding requirements of the Plan, without regard to the statutory rate cap. There are no constraints or restrictions on the actuarial cost method or other assumptions used in this valuation, other than those established and agreed to by the ARM Board.

Current legislation provides that the State of Alaska will contribute the difference between the ARM Board adopted rate and the contractual (statutory) rate. These additional contributions are recognized by each employer as an on-behalf payment and are reflected as revenue and expense/expenditures within the financial statements.

GASB 43 Rate: This is the rate used to determine the long-term pension and healthcare liability for plan accounting purposes in accordance with generally accepted accounting principles as established by GASB. Certain actuarial methods and assumptions for this rate calculation are mandated by GASB. For FY14, the rate uses an 8.00% pension discount rate and a 5.41% healthcare discount rate. Additionally, the GASB 43 rate disregards all future Medicare Part D payments.

The GASB 43 rate differs significantly from the ARM Board adopted rate as a direct result of differences in the actuarial valuation methodology and assumptions.

Contribution rates for the year ended June 30, 2014 were determined as part of the June 30, 2011 actuarial valuation and are as follows:

	Contractual Rate	ARM Board Adopted Rate	GASB 43 Rate
Pension	10.64%	18.38%	27.94%
Postemployment healthcare	11.36%	17.30%	52.55%
Total contribution rate	22.00%	35.68%	80.49%

Annual Pension and Postemployment Healthcare Cost

The City is required to contribute 22% of covered payroll, subject to a wage floor. In addition, the State of Alaska contributed approximately 13.68% of covered payroll to the Plan. In accordance with the provisions of GASB Statement Number 24, this contribution is considered an on-behalf payment and is recorded as revenue and expense/expenditures in these financial statements. However, because the City is not statutorily obligated for these payments, the State's contributions, in the amounts of $994,060, $991,168, and $757,727 for 2014, 2013, and 2012, respectively, have been excluded from pension and OPEB cost as shown below.

Year Ended June 30,	Annual Pension Cost	Annual OPEB Cost	Total Benefit Cost (TBC)	City Contri-butions	% of TBC Contributed
2014	$ 567,516	$ 605,919	$ 1,173,435	$ 1,173,435	100%
2013	518,365	661,078	1,179,443	1,179,443	100%
2012	539,199	592,859	1,132,058	1,132,058	100%

13. Defined Contribution Pension Plan

Employees hired after July 1, 2006 participate in PERS Tier IV, a defined contribution plan. The Plan is administered by the State of Alaska, Department of Administration. Benefit and contribution provisions are established by State law and may be amended only by the State Legislature. The Alaska Retirement Management Board may also amend contribution requirements. Included in the Plan are individual pension accounts, retiree medical insurance plan and a separate Health Reimbursement Arrangement account that will help retired members pay medical premiums and other eligible medical expenses not covered by the medical plan.

Employee Contribution Rates

Employees are required to contribute 8.0% of their annual covered salary. This amount goes directly to the individual's account.

Employer Contribution Rates

For the year ended June 30, 2014, the City was required to contribute the following amounts based on covered salary:

	Other Tier IV	Police/Fire Tier IV
Individual account	5.00%	5.00%
Retiree medical plan	0.48%	0.48%
Occupational death and disability benefits	0.20%	1.14%
	5.68%	6.62%

In addition, the employer must contribute to the Health Reimbursement Arrangement. AS 39.30.370 establishes this contribution amount as "three percent of the average annual employee compensation of *all employees of all employers* in the plan". As of July 1, 2013, for actual remittance, this amount is calculated as a flat rate for each full time or part-time employee per pay period and approximates $1,897 per year for each full-time employee, and $1.22 per hour for part-time employees.

Finally, the total employer contribution must equal 22% of covered payroll. After subtracting the defined contribution (DC) rates and the HRA contribution, any residual amount of the 22% will be deposited into the defined benefit (DB) plan. Known as the DBUL payment, this amount is intended to mitigate against the declining payroll base that resulted from the creation of the DC plan.

Employees are immediately vested in their own contributions and vest 25% per year in employer contributions. The City and employee contributions to PERS including the HRA contribution for the year ended June 30, 2014 were $327,922 and $292,572, respectively.

14. Risk Management

The City is exposed to various risks of loss related to workers' compensation, torts, theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The City participates in the Alaska Public Entity Insurance Association (APEI) which covers property and contents, torts, general and auto liability, public officials and employees' liability, and workers compensation. APEI is a public entity risk pool, which reinsures risk above certain levels, thereby relieving members of the need for additional assessments. APEI's bylaws provide for the assessment of supplemental contributions from members in the event that losses and expenses for any coverage year exceed the annual contributions and income earned on such contributions for the year. APEI made no supplemental assessments during the year ended June 30, 2014. Coverage limits and deductibles on policies have remained relatively constant for the last several years. No settlements in excess of insurance coverage have been realized over the past three years.

The City maintains a health and medical benefit program which covers all full time employees. The City has retained a major portion of the risk for this plan and, accordingly, is liable for any employee health claims that are approved for payment. Stop loss coverage limits were $60,000 for individual claims and $1,266,001 for aggregate claims. The amount of insurance settlements has not exceeded the amount of the stop-loss coverage limits for each of the past three fiscal years. Health insurance expense for the year ended June 30, 2014 consisted of paid claims, stop-loss premiums, and administrative costs.

Accruals were made based upon estimates of the health claims at year end including claims incurred but not reported and are included in "Accounts and Claims Payable" in the Employee Health Insurance Internal Service Fund. A schedule of the changes in the claims liability for the years ended June 30, 2014 and 2013 follows:

	Balance at Beginning of Year	Claims Expense	Claims Paid	Balance at End of Year
2014	$ 236,668	$ 1,605,916	$ 1,489,270	$ 353,314
2013	$ 484,060	$ 1,003,341	$ 1,250,733	$ 236,668

15. Leases

The City of Bethel leases various properties, including land, buildings, office and residential premises to the State of Alaska, local individuals, businesses and not-for-profit organizations. Lease terms vary from month to month for residential premises to 20 years for land and buildings. Rental rates are periodically adjusted to fair market value as determined by appraisal. All revenues and expenses associated with these activities are accounted for in the Rental Property Enterprise Fund.

The following is a summary of significant leases in effect at June 30, 2014:

Property	Monthly Rate	Lease Term
Courthouse – office space	$ 31,441	January 2017
Courthouse – Department of Law and Corrections	5,839	Month to month

The City currently leases computer equipment under an operating lease. Lease expense related to this equipment for the year ended June 30, 2014 was $13,289. There are no required future minimum lease payments.

16. Contingencies

Amounts received or receivable from grantor agencies are subject to audit and adjustment by the grantor agencies, principally the federal and State governments. Any disallowed claims, including amounts already collected, would become a liability of the General Fund.

In 2013, the City was contacted by the IRS regarding a possible discrepancy in the 2009 payroll tax filings in the amount of $177,000. The City has researched and reconciled the payroll amount to within an insignificant variance. The City does not believe it has any liability with respect to this matter and has not reflected any liabilities or adjustment to these financial statements.

The City, from time to time, may be a participant in legal proceedings related to the conduct of its business. In the normal course of business, it also has various commitments and contingent liabilities, which are not reflected in the accompanying financial statements. In the opinion of management, any current legal proceedings, commitments or contingent liabilities will not materially affect the financial position of the City.

17. New Accounting Pronouncements

The Governmental Accounting Standards Board has passed several new accounting standards with upcoming implementation dates. Management has not fully evaluated the potential effects of these statements, but believes that GASB Statement 68 will result in the biggest reporting change. Actual impacts have not yet been determined:

GASB 68 – Accounting and Financial Reporting for Pensions – Effective for year-end June 30, 2015 – This statement changes the reporting and disclosure requirements for governments that participate in pension plans. This statement modifies the participating employer side reporting in connection with the Plan reporting at GASB 67.

GASB 69 – Government Combinations and Disposals of Government Operations –Effective for year-end June 30, 2015 – This statement contains certain disclosures to be made about government combinations and disposals of government operations to enable financial statement users to evaluate the nature and effects of these transactions.

GASB 71 – Pension Transition for Contributions Made Subsequent to the Measurement Date – Effective for year-end June 30, 2015 – This statement is a companion to GASB Statement 68 and clarifies treatment of contributions made by a contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability.

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Required Supplementary Information

Exhibit D-1

City of Bethel, Alaska

General Fund
Budgetary Comparison Schedule

Year Ended June 30, 2014	Budget Original	Budget Final	Actual	Variance
Revenues				
Federal sources	$ 850,000	$ 800,000	$ 804,164	$ 4,164
State of Alaska	818,319	817,919	964,836	146,917
Local sources:				
Taxes	8,396,700	8,696,700	8,366,582	(330,118)
Other	995,350	1,046,550	967,248	(79,302)
Total Revenues	11,060,369	11,361,169	11,102,830	(258,339)
Expenditures				
General government:				
Administration	549,397	506,908	598,484	(91,576)
City clerk	194,940	188,673	186,339	2,334
Finance	746,863	735,862	696,303	39,559
Planning	281,218	268,467	269,195	(728)
Technology	532,519	530,895	588,985	(58,090)
City attorney	199,326	230,318	244,402	(14,084)
Public safety:				
Fire department	1,161,134	1,156,903	1,209,611	(52,708)
Police department	3,033,237	3,031,236	2,934,031	97,205
Public works:				
Administration	244,548	243,327	194,378	48,949
Operations	1,260,825	1,257,929	1,387,851	(129,922)
Property maintenance	659,085	656,885	676,832	(19,947)
Community services:				
Teen center	642,397	656,397	622,338	34,059
Special projects	162,529	160,229	167,139	(6,910)
Total Expenditures	9,668,018	9,624,029	9,775,888	(151,859)
Excess of revenues over expenditures	1,392,351	1,737,140	1,326,942	(410,198)
Other Financing Sources (Uses)				
Transfers in	8,400	8,400	10,191	1,791
Transfers out	(1,341,996)	(808,920)	(808,920)	-
Net Other Financing Sources (Uses)	(1,333,596)	(800,520)	(798,729)	1,791
Net change in fund balance	$ 58,755	$ 936,620	528,213	$ (408,407)
Fund Balance, beginning of year			9,548,592	
Fund Balance, end of year			$ 10,076,805	

Additional Supplementary Information

City of Bethel, Alaska

General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

Years Ended June 30,	2014			2013
	Budget	Actual	Variance	Actual
Revenues				
Federal sources - payment in lieu of taxes	$ 800,000	$ 804,164	$ 4,164	$ 807,352
State of Alaska:				
State PERS relief	430,608	576,812	146,204	563,560
Community revenue sharing	387,311	388,024	713	571,703
Total State of Alaska	817,919	964,836	146,917	1,135,263
Local sources:				
Taxes, including penalty and interest	8,696,700	8,366,582	(330,118)	8,329,784
Charges for services:				
Public safety	182,200	123,930	(58,270)	181,518
Community services	14,000	31,961	17,961	10,755
Total charges for services	196,200	155,891	(40,309)	192,273
Rental income	5,000	4,720	(280)	2,675
Permits, licenses and fees:				
Gaming fees	550,000	467,381	(82,619)	541,283
Taxi permits	133,500	166,545	33,045	138,260
Business licenses	30,000	36,050	6,050	37,500
Animal control licenses/fees	1,800	1,680	(120)	1,621
Planning fees	750	585	(165)	456
Plat and recording fees	-	-	-	400
Site reviews	7,000	4,287	(2,713)	6,335
Parks and recreation	17,450	10,431	(7,019)	9,803
Other	2,000	3,115	1,115	2,241
Total permits, licenses and fees	742,500	690,074	(52,426)	737,899
Miscellaneous:				
Police department	57,000	11,072	(45,928)	57,165
Youth center donations and user fees	150	88	(62)	61
Restitution payments	1,000	570	(430)	-
Parks and recreation	-	1,400	1,400	4,395
Book sales	-	1,116	1,116	10,510
Income from investments	30,000	16,215	(13,785)	27,385
Other	14,700	86,102	71,402	97,870
Total miscellaneous	102,850	116,563	13,713	197,386
Total local sources	9,743,250	9,333,830	(409,420)	9,460,017
Total Revenues	11,361,169	11,102,830	(258,339)	11,402,632

City of Bethel, Alaska

General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual, continued

Years Ended June 30,	2014			2013
	Budget	Actual	Variance	Actual
Expenditures				
General government:				
Administration:				
Personnel	$ 405,027	$ 482,845	$ (77,818)	$ 434,465
Travel and training	10,300	11,792	(1,492)	17,501
Supplies	10,000	7,838	2,162	11,333
Utilities and fuel	116,203	113,496	2,707	108,571
Legal fees	10,000	5,296	4,704	99,748
Repairs and maintenance	5,807	6,205	(398)	6,486
Other purchased services	63,200	73,654	(10,454)	68,915
Equipment	3,000	1,867	1,133	1,598
Insurance	4,455	6,946	(2,491)	6,825
Other expenditures	15,500	25,129	(9,629)	23,828
Indirect cost recovery	(136,584)	(136,584)	-	(90,370)
Total administration	506,908	598,484	(91,576)	688,900
City clerk:				
Personnel	143,500	146,676	(3,176)	146,930
Travel and training	22,000	21,699	301	18,539
Supplies	2,500	1,505	995	1,681
Utilities	2,400	928	1,472	-
Other purchased services	18,500	16,261	2,239	17,225
Equipment	-	-	-	1,095
Insurance	1,530	795	735	1,047
Other expenditures	7,200	7,432	(232)	81,790
Indirect cost recovery	(8,957)	(8,957)	-	(6,593)
Total city clerk	188,673	186,339	2,334	261,714
Finance:				
Personnel	686,745	651,484	35,261	642,373
Travel and training	9,000	18,089	(9,089)	26,991
Supplies	8,500	6,011	2,489	7,640
Utilities and fuel	4,510	2,222	2,288	5,103
Professional services	136,095	131,641	4,454	120,394
Repairs and maintenance	6,449	5,626	823	4,277
Other purchased services	28,500	29,190	(690)	30,816
Equipment	12,800	12,855	(55)	3,076
Insurance	6,570	5,247	1,323	6,394
Other expenditures	26,000	23,245	2,755	28,086
Indirect cost recovery	(189,307)	(189,307)	-	(114,600)
Total finance	735,862	696,303	39,559	760,550

City of Bethel, Alaska

General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual, continued

Years Ended June 30,	2014			2013
	Budget	Actual	Variance	Actual
Expenditures, continued				
General government, continued:				
Planning:				
Personnel	$ 216,688	$ 228,967	$ (12,279)	$ 214,103
Travel and training	10,000	7,925	2,075	5,232
Supplies	4,300	1,236	3,064	1,986
Utilities and fuel	18,524	15,205	3,319	17,057
Professional services	3,000	5,471	(2,471)	43
Repairs and maintenance	1,935	1,304	631	2,814
Other purchased services	6,000	4,933	1,067	615
Equipment	1,000	18	982	-
Insurance	2,520	2,135	385	2,630
Other expenditures	4,500	2,001	2,499	2,043
Total planning	268,467	269,195	(728)	246,523
Technology:				
Personnel	238,831	256,080	(17,249)	251,953
Travel and training	24,000	11,576	12,424	6,658
Supplies	2,400	4,184	(1,784)	31
Utilities and fuel	3,800	4,086	(286)	1,247
Repairs and maintenance	13,807	33,660	(19,853)	30,456
Professional services	-	10,790	(10,790)	36,463
Other purchased services	163,500	224,915	(61,415)	-
Equipment	139,800	123,637	16,163	70,232
Insurance	3,330	2,323	1,007	2,514
Other expenditures	57,450	33,757	23,693	33,880
Indirect cost recovery	(116,023)	(116,023)	-	(126,625)
Total technology	530,895	588,985	(58,090)	306,809
City attorney:				
Personnel	168,893	176,483	(7,590)	156,008
Travel and training	15,000	9,560	5,440	7,417
Supplies	598	1,461	(863)	901
Other purchased services	43,902	55,001	(11,099)	2,523
Equipment	-	-	-	3,286
Other expenditures	1,925	1,897	28	5,730
Total city attorney	230,318	244,402	(14,084)	175,865
Total general government	2,461,123	2,583,708	(122,585)	2,440,361

City of Bethel, Alaska

General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual, continued

Years Ended June 30,	2014			2013
	Budget	Actual	Variance	Actual
Expenditures, continued				
Public safety:				
Fire department:				
Personnel	$ 887,736	$ 978,763	$ (91,027)	$ 956,662
Travel and training	6,385	6,925	(540)	3,072
Supplies	35,950	38,578	(2,628)	40,790
Repairs and maintenance	86,432	49,991	36,441	42,885
Utilities and fuel	94,210	81,094	13,116	88,169
Other purchased services	21,750	21,468	282	21,074
Equipment	5,800	9,109	(3,309)	4,401
Insurance	16,290	21,379	(5,089)	22,314
Other expenditures	2,350	2,304	46	1,888
Total fire department	1,156,903	1,209,611	(52,708)	1,181,255
Police department:				
Personnel	2,549,179	2,459,780	89,399	2,374,175
Travel and training	33,000	28,379	4,621	18,103
Supplies	34,109	31,167	2,942	31,216
Utilities and fuel	176,500	229,626	(53,126)	158,910
Repairs and maintenance	56,598	52,308	4,290	58,006
Other purchased services	43,000	14,485	28,515	167,650
Equipment	42,500	17,695	24,805	31,686
Capital outlay	-	-	-	18,194
Insurance	89,850	98,908	(9,058)	59,132
Other expenditures	6,500	1,683	4,817	5,939
Total police department	3,031,236	2,934,031	97,205	2,923,011
Total public safety	4,188,139	4,143,642	44,497	4,104,266
Public works:				
Administration:				
Personnel	222,100	167,986	54,114	138,520
Travel and training	3,000	199	2,801	1,710
Supplies	4,000	3,614	386	1,895
Utilities and fuel	28,148	28,115	33	105,134
Repairs and maintenance	2,580	2,050	530	3,943
Other purchased services	4,000	1,616	2,384	816
Equipment	1,500	7,862	(6,362)	5,083

City of Bethel, Alaska

General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual, continued

Years Ended June 30,	2014			2013
	Budget	Actual	Variance	Actual
Expenditures, continued				
Public works, continued:				
Administration, continued:				
Insurance	$ 4,860	$ 5,084	$ (224)	$ 4,676
Other expenditures	300	148	152	60,194
Indirect cost recovery	(27,161)	(22,296)	(4,865)	(12,867)
Total administration	243,327	194,378	48,949	309,104
Operations:				
Personnel	609,469	592,468	17,001	617,856
Travel and training	-	1,700	(1,700)	-
Supplies	23,400	158,875	(135,475)	13,615
Utilities and fuel	227,705	254,625	(26,920)	176,790
Repairs and maintenance	308,755	291,993	16,762	278,537
Other purchased services	57,000	59,106	(2,106)	27,926
Equipment	12,300	9,600	2,700	2,106
Insurance	19,300	19,423	(123)	20,106
Other expenditures	-	61	(61)	250
Total operations	1,257,929	1,387,851	(129,922)	1,137,186
Property maintenance:				
Personnel	459,182	489,943	(30,761)	472,619
Travel and training	3,600	360	3,240	1,140
Supplies	29,000	36,010	(7,010)	33,406
Utilities and fuel	44,886	39,488	5,398	51,168
Repairs and maintenance	114,849	113,711	1,138	161,944
Other purchased services	45,000	43,307	1,693	74,176
Equipment	12,000	7,525	4,475	10,262
Insurance	8,550	6,669	1,881	7,348
Other expenditures	-	-	-	105
Indirect cost recovery	(60,182)	(60,181)	(1)	(61,128)
Total property maintenance	656,885	676,832	(19,947)	751,040
Total public works	2,158,141	2,259,061	(100,920)	2,197,330

City of Bethel, Alaska

General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual, continued

Years Ended June 30,	2014			2013
	Budget	Actual	Variance	Actual
Expenditures, continued				
Community services:				
Teen center:				
Personnel	$ 464,712	$ 413,926	$ 50,786	$ 417,029
Travel and training	7,000	9,142	(2,142)	4,959
Supplies	36,050	40,356	(4,306)	73,143
Utilities and fuel	75,763	72,460	3,303	73,710
Professional services	600	1,933	(1,333)	500
Repairs and maintenance	25,572	17,401	8,171	24,714
Other purchased services	3,000	3,527	(527)	1,955
Equipment	14,000	52,363	(38,363)	89,304
Insurance	8,500	8,022	478	10,050
Other expenditures	21,200	3,208	17,992	3,234
Total teen center	656,397	622,338	34,059	698,598
Special projects:				
Senior center	84,629	87,429	(2,800)	32,152
Library contribution	67,600	67,600	-	67,600
Camai festival donation	3,000	3,551	(551)	3,646
Cemetery improvements	5,000	6,779	(1,779)	2,616
Other expenditures	-	1,780	(1,780)	-
Total special projects	160,229	167,139	(6,910)	106,014
Total community services	816,626	789,477	27,149	804,612
Total Expenditures	9,624,029	9,775,888	(151,859)	9,546,569
Excess of revenues over expenditures	1,737,140	1,326,942	(410,198)	1,856,063

City of Bethel, Alaska

General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual, continued

Years Ended June 30,	2014			2013
	Budget	Actual	Variance	Actual
Other Financing Sources (Uses)				
Transfers in:				
Endowment Permanent Fund	$ -	$ -	$ -	$ 9,000
Homeland Security Special Revenue Fund	8,400	10,191	1,791	6,782
Total transfers in	8,400	10,191	1,791	15,782
Transfers out:				
Capital Project Funds:				
Park Development	(140,000)	(140,000)	-	(30,000)
Fire Station Roof Repair	-	-	-	(38,500)
New Bethel Police Station	-	-	-	(5,379)
Fleet Replacement	-	-	-	(145,000)
Land Planning Development	-	-	-	(51,500)
Enterprise Funds:				
Rental Property	(25,570)	(25,570)	-	(70,102)
Water and Sewer Utility	(643,350)	(643,350)	-	(650,499)
Vehicle and Equipment Internal Service Fund	-	-	-	(284,353)
Total transfers out	(808,920)	(808,920)	-	(1,275,333)
Net Other Financing Sources (Uses)	(800,520)	(798,729)	1,791	(1,259,551)
Net change in fund balance	$ 936,620	528,213	$ (408,407)	596,512
Fund Balance, beginning of year		9,548,592		8,952,080
Fund Balance, end of year		$ 10,076,805		$ 9,548,592

City of Bethel, Alaska

Nonmajor Governmental Funds
Combining Balance Sheet

	Special Revenue Funds							
June 30, 2014	Police Asset Forfeiture	Bethel Youth Center	LED Streetlights	Community Service Patrol	Volunteer Fire Assistance	Homeland Security	911 Surcharges	Alaska Territorial Guard
Assets								
Cash and investments	$ 2,391	$ 914	$ -	$ 51,206	$ 17,244	$ -	$ 370,686	$ 28,750
Accounts receivable	-	5,995	6,047	-	-	4,806	-	-
Total Assets	$ 2,391	$ 6,909	$ 6,047	$ 51,206	$ 17,244	$ 4,806	$ 370,686	$ 28,750
Liabilities and Fund Balances (Deficits)								
Liabilities								
Accounts payable	$ -	$ 6,909	$ -	$ 1,679	$ 14,605	$ -	$ 3,766	$ 2,297
Accrued payroll	-	-	-	25	-	-	869	-
Due to other funds	66,821	-	6,047	-	-	4,806	-	-
Unearned revenue	-	-	-	49,533	2,639	-	-	17,546
Total Liabilities	66,821	6,909	6,047	51,237	17,244	4,806	4,635	19,843
Fund Balances (Deficits)								
Restricted	-	-	-	-	-	-	366,051	-
Assigned	-	-	-	-	-	-	-	8,907
Unassigned (deficits)	(64,430)	-	-	(31)	-	-	-	-
Total Fund Balances (Deficits)	(64,430)	-	-	(31)	-	-	366,051	8,907
Total Liabilities and Fund Balances	$ 2,391	$ 6,909	$ 6,047	$ 51,206	$ 17,244	$ 4,806	$ 370,686	$ 28,750

City of Bethel, Alaska

Nonmajor Governmental Funds
Combining Balance Sheet, continued

June 30, 2014	Permanent Fund	Capital Projects Funds						Total Nonmajor Governmental Funds
	Endowment	Land Planning Development	Park Development	Wind Turbine	Fire Station Roof Repair	New Bethel Police Station	Fleet Replacement	
Assets								
Cash and investments	$ 1,861,217	$ -	$ 112,919	$ 199,889	$ 1,079	$ -	$ 386,649	$ 3,032,944
Accounts receivable	-	-	-	-	399	168,942	-	186,189
Total Assets	$ 1,861,217	$ -	$ 112,919	$ 199,889	$ 1,478	$ 168,942	$ 386,649	$ 3,219,133
Liabilities and Fund Balances (Deficits)								
Liabilities								
Accounts payable	$ -	$ 3,906	$ 66	$ -	$ -	$ -	$ -	$ 33,228
Accrued payroll	-	-	-	-	-	-	-	894
Due to other funds	-	2,862	-	-	-	168,942	-	249,478
Unearned revenue	-	-	-	-	-	-	-	69,718
Total Liabilities	-	6,768	66	-	-	168,942	-	353,318
Fund Balances (Deficits)								
Restricted	1,861,217	-	-	-	-	-	-	2,227,268
Assigned	-	-	112,853	199,889	1,478	-	386,649	709,776
Unassigned (deficits)	-	(6,768)	-	-	-	-	-	(71,229)
Total Fund Balances (Deficits)	1,861,217	(6,768)	112,853	199,889	1,478	-	386,649	2,865,815
Total Liabilities and Fund Balances	$ 1,861,217	$ -	$ 112,919	$ 199,889	$ 1,478	$ 168,942	$ 386,649	$ 3,219,133

City of Bethel, Alaska

Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances (Deficits)

	Special Revenue Funds										
Year Ended June 30, 2014	Police Asset Forfeiture	Bethel Youth Center	LED Streetlights	Fire Engine	Community Service Patrol	ALPAR Litter Patrol	Volunteer Fire Assistance	Road Repairs and Upgrades	Homeland Security	911 Surcharges	Alaska Territorial Guard
Revenues											
Federal sources	$ -	$ 22,930	$ -	$ -	$ -	$ -	$ 14,605	$ -	$ 104,170	$ -	$ -
State of Alaska	-	-	41,529	349,935	253,751	-	-	469,953	-	38,000	78,048
Local sources	-	168	-	-	51,974	2,000	-	-	-	187,210	5,157
Total Revenues	-	23,098	41,529	349,935	305,725	2,000	14,605	469,953	104,170	225,210	83,205
Expenditures											
Current:											
Public safety	115	-	-	-	305,756	-	14,605	-	4,852	129,408	-
Public works	-	-	41,529	-	-	-	-	217,458	-	-	-
Community services	-	23,098	-	-	-	2,000	-	-	-	-	-
Capital outlay	-	-	-	349,935	-	-	-	252,495	99,318	-	78,048
Total Expenditures	115	23,098	41,529	349,935	305,756	2,000	14,605	469,953	104,170	129,408	78,048
Excess of revenues over (under) expenditures	(115)	-	-	-	(31)	-	-	-	-	95,802	5,157
Other Financing Sources (Uses)											
Transfers in	-	-	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-	-	-
Net Other Financing Sources (Uses)	-	-	-	-	-	-	-	-	-	-	-
Net change in fund balances (deficits)	(115)	-	-	-	(31)	-	-	-	-	95,802	5,157
Fund Balances (Deficits), beginning of year	(64,315)	-	-	-	-	-	-	-	-	270,249	3,750
Fund Balances (Deficits), end of year	$ (64,430)	$ -	$ -	$ -	$ (31)	$ -	$ -	$ -	$ -	$ 366,051	$ 8,907

City of Bethel, Alaska

Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances (Deficits), continued

Year Ended June 30, 2014	Permanent Fund	Capital Project Funds							Total Nonmajor Govern-mental Funds
	Endow-ment	City Shop Floor	Land Planning Develop-ment	Park Develop-ment	Wind Turbine	Fire Station Roof Repair	New Bethel Police Station	Fleet Replacement	
Revenues									
Federal sources	$ -	$ -	$ -	-	$ -	$ -	$ -	$ -	$ 141,705
State of Alaska	-	489,899	-	-	-	399	67,469	-	1,788,983
Local sources	14,540	-	-	-	-	-	-	49,564	310,613
Total Revenues	14,540	489,899	-	-	-	399	67,469	49,564	2,241,301
Expenditures									
Current:									
Public safety	-	-	-	-	-	-	-	-	454,736
Public works	-	-	-	-	-	-	-	-	258,987
Community services	-	-	-	-	-	-	-	-	25,098
Capital outlay	-	489,899	22,155	57,147	-	399	62,090	37,143	1,448,629
Total Expenditures	-	489,899	22,155	57,147	-	399	62,090	37,143	2,187,450
Excess of revenues over (under) expenditures	14,540	-	(22,155)	(57,147)	-	-	5,379	12,421	53,851
Other Financing Sources (Uses)									
Transfers in	-	-	-	140,000	-	-	-	135,000	275,000
Transfers out	(4,812)	-	-	-	-	-	(5,379)	-	(10,191)
Net Other Financing Sources (Uses)	(4,812)	-	-	140,000	-	-	(5,379)	135,000	264,809
Net change in fund balances (deficits)	9,728	-	(22,155)	82,853	-	-	-	147,421	318,660
Fund Balances (Deficits), beginning of year	1,851,489	-	15,387	30,000	199,889	1,478	-	239,228	2,547,155
Fund Balances (Deficits), end of year	$ 1,861,217	$ -	$ (6,768)	$ 112,853	$ 199,889	$ 1,478	$ -	$ 386,649	$ 2,865,815

Exhibit G-1

City of Bethel, Alaska

Police Asset Forfeiture Special Revenue Fund
Statement of Revenues, Expenditures and Changes in Deficit

Year Ended June 30, 2014	Budget	Actual	Variance
Expenditures			
Loss on investments	$ 115	$ 115	$ -
Deficit, beginning of year		(64,315)	
Deficit, end of year		$ (64,430)	

Exhibit G-2

City of Bethel, Alaska

Bethel Youth Center Food Program Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

Year Ended June 30, 2014	Budget	Actual	Variance
Revenues			
Federal sources	$ 24,000	$ 22,930	$ (1,070)
Local sources	-	168	168
Total Revenues	24,000	23,098	(902)
Expenditures			
Community services - supplies	24,000	23,098	902
Net change in fund balance	$ -	-	$ -
Fund Balance, beginning of year		-	
Fund Balance, end of year		$ -	

City of Bethel, Alaska

LED Streetlights Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

Year Ended June 30, 2014	Budget	Actual	Variance
Revenues			
State of Alaska	$ 41,530	$ 41,529	$ (1)
Expenditures			
Public works:			
Other purchased services	37,450	37,450	-
Equipment	4,080	4,079	1
Total Expenditures	41,530	41,529	1
Net change in fund balance	$ -	-	$ -
Fund Balance, beginning of year		-	
Fund Balance, end of year		$ -	

City of Bethel, Alaska

Fire Engine Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

Year Ended June 30, 2014	Budget	Actual	Variance
Revenues			
State of Alaska	$ 350,000	$ 349,935	$ (65)
Expenditures			
Capital outlay	350,000	349,935	65
Net change in fund balance	$ -	-	$ -
Fund Balance, beginning of year		-	
Fund Balance, end of year		$ -	

City of Bethel, Alaska

Community Service Patrol Special Revenue Fund

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

Year Ended June 30, 2014	Budget	Actual	Variance
Revenues			
State of Alaska	$ 346,491	$ 253,751	$ (92,740)
Local sources - in-kind	51,974	51,974	-
Total Revenues	398,465	305,725	(92,740)
Expenditures			
Public safety:			
Personnel	265,029	214,516	50,513
Supplies	7,480	3,406	4,074
Repairs and maintenance	9,000	2,989	6,011
Utilities and fuel	47,411	26,861	20,550
Other purchased services	45,360	44,685	675
Other expenditures	24,185	13,299	10,886
Total Expenditures	398,465	305,756	92,709
Net change in fund balance	$ -	(31)	$ (31)
Fund Balance, beginning of year		-	
Fund Balance (Deficit), end of year		$ (31)	

City of Bethel, Alaska

ALPAR Litter Patrol Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

Year Ended June 30, 2014	Budget	Actual	Variance
Revenues			
Local sources	$ 2,000	$ 2,000	$ -
Expenditures			
Community services - other expenditures	2,000	2,000	-
Net change in fund balance	$ -	-	$ -
Fund Balance, beginning of year		-	
Fund Balance, end of year		$ -	

City of Bethel, Alaska

Volunteer Fire Assistance Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

Year Ended June 30, 2014	Budget	Actual	Variance
Revenues			
Federal sources	$ -	$ 14,605	$ 14,605
Expenditures			
Public safety - supplies	-	14,605	(14,605)
Net change in fund balance	$ -	-	$ -
Fund Balance, beginning of year		-	
Fund Balance, end of year		$ -	

City of Bethel, Alaska

Road Repairs and Upgrades Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

Year Ended June 30, 2014	Budget	Actual	Variance
Revenues			
State of Alaska	$ 469,953	$ 469,953	$ -
Expenditures			
Public works - supplies	217,458	217,458	-
Capital outlay	252,495	252,495	-
Total Expenditures	469,953	469,953	-
Net change in fund balance	$ -	-	$ -
Fund Balance, beginning of year		-	
Fund Balance, end of year		$ -	

City of Bethel, Alaska

Homeland Security Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

Year Ended June 30, 2014	Budget	Actual	Variance
Revenues			
Federal sources	$ 104,171	$ 104,170	$ (1)
Expenditures			
Public safety - equipment	4,853	4,852	1
Capital outlay	99,318	99,318	-
Total Expenditures	104,171	104,170	1
Net change in fund balance	$ -	-	$ -
Fund Balance, beginning of year		-	
Fund Balance, end of year		$ -	

City of Bethel, Alaska

911 Surcharges Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

Year Ended June 30, 2014	Budget	Actual	Variance
Revenues			
State of Alaska contract	$ 38,000	$ 38,000	$ -
Local sources	180,000	187,210	7,210
Total Revenues	218,000	225,210	7,210
Expenditures			
Public safety:			
Personnel	58,464	66,612	(8,148)
Travel and training	7,500	2,050	5,450
Utilities and fuel	5,000	1,962	3,038
Supplies	1,000	718	282
Equipment	5,500	3,816	1,684
Other purchased services	59,500	24,099	35,401
Insurance	675	458	217
Rents and leases	-	4,824	(4,824)
Other overhead	25,000	24,869	131
Total Expenditures	162,639	129,408	33,231
Net change in fund balance	$ 55,361	95,802	$ 40,441
Fund Balance, beginning of year		270,249	
Fund Balance, end of year		$ 366,051	

City of Bethel, Alaska

Alaska Territorial Guard Special Revenue Fund
Statement of Revenues, Expenditures and Changes in Fund Balance

Year Ended June 30, 2014	Budget	Actual	Variance
Revenues			
State of Alaska	$ 95,594	$ 78,048	$ (17,546)
Local sources	-	5,157	5,157
Total Revenues	95,594	83,205	$ (12,389)
Expenditures			
Capital outlay - equipment	95,594	78,048	17,546
Net change in fund balance	$ -	5,157	$ 5,157
Fund Balance, beginning of year		3,750	
Fund Balance, end of year		$ 8,907	

City of Bethel, Alaska

Endowment Permanent Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

Year Ended June 30, 2014	Budget	Actual	Variance
Revenues			
Local sources - investment income	$ 12,000	$ 14,540	$ 2,540
Other Financing Uses			
Transfers out	(8,400)	(4,812)	3,588
Net change in fund balance	$ 3,600	9,728	$ 6,128
Fund Balance, beginning of year		1,851,489	
Fund Balance, end of year		$ 1,861,217	

Exhibit H-1

City of Bethel, Alaska

City Shop Floor Capital Project Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

Year Ended June 30, 2014	Budget	Actual	Variance
Revenues			
State of Alaska	$ 489,899	$ 489,899	$ -
Expenditures			
Capital outlay	489,899	489,899	-
Net change in fund balance	$ -	-	$ -
Fund Balance, beginning of year		-	
Fund Balance, end of year		$ -	

Exhibit H-2

City of Bethel, Alaska

Land Planning Development Capital Project Fund
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual

Year Ended June 30, 2014	Budget	Actual	Variance
Expenditures			
Capital outlay:			
Professional fees	$ 41,500	$ 15,449	$ 26,051
Other purchased services	10,000	6,706	3,294
Total Expenditures	51,500	22,155	29,345
Other Financing sources			
Transfers in	51,500	-	(51,500)
Net change in fund balance	$ -	(22,155)	$ (22,155)
Fund Balance, beginning of year		15,387	
Fund Deficit, end of year		$ (6,768)	

City of Bethel, Alaska

Park Development Capital Project Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

Year Ended June 30, 2014	Budget	Actual	Variance
Expenditures			
Capital outlay - equipment	$ 70,000	$ 57,147	$ 12,853
Other Financing Sources			
Transfers in	140,000	140,000	-
Net change in fund balance	$ 70,000	82,853	$ 12,853
Fund Balance, beginning of year		30,000	
Fund Balance, end of year		$ 112,853	

City of Bethel, Alaska

Multi-Use Recreation Center Capital Project Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

Year Ended June 30, 2014	Budget	Actual	Variance
Revenues			
State of Alaska	$ 14,109,857	$ 12,032,225	$ (2,077,632)
Local sources:			
Taxes	643,076	649,179	6,103
Income from investments	-	351	351
Total Revenues	14,752,933	12,681,755	(2,071,178)
Expenditures			
Capital outlay:			
Construction	13,047,783	12,028,899	1,018,884
Administrative costs	-	2,357	(2,357)
Insurance	-	131	(131)
Other purchased services	1,062,074	838	1,061,236
Total Expenditures	14,109,857	12,032,225	2,077,632
Net change in fund balance	$ 643,076	649,530	$ 6,454
Fund Balance, beginning of year		3,736,522	
Fund Balance, end of year		$ 4,386,052	

Exhibit H-5

City of Bethel, Alaska

Fire Station Roof Repair Capital Project Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

Year Ended June 30, 2014	Budget	Actual	Variance
Revenues			
State of Alaska	$ 400	$ 399	$ (1)
Expenditures			
Capital outlay - equipment	400	399	$ 1
Change in fund balance	$ -	-	$ -
Fund Balance, beginning of year		1,478	
Fund Balance, end of year		$ 1,478	

Exhibit H-6

City of Bethel, Alaska

New Bethel Police Station Capital Project Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

Year Ended June 30, 2014	Budget	Actual	Variance
Revenues			
State of Alaska	$ 284,284	$ 67,469	$ (216,815)
Expenditures			
Capital outlay:			
Professional fees	6,276	3,255	3,021
Other purchased services	61,769	32,036	29,733
Equipment	198,714	17,710	181,004
Other expenditures	17,525	9,089	8,436
Total Expenditures	284,284	62,090	222,194
Excess of revenues over expenditures	-	5,379	5,379
Other Financing Uses			
Transfers out	-	(5,379)	(5,379)
Net change in fund balance	$ -	-	$ -
Fund Balance, beginning of year		-	
Fund Balance, end of year		$ -	

City of Bethel, Alaska

Fleet Replacement Capital Project Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

Year Ended June 30, 2014	Budget	Actual	Variance
Revenues			
Insurance refunds	$ -	$ 49,564	$ 49,564
Expenditures			
Capital outlay - vehicles	30,000	37,143	(7,143)
Excess of revenues over (under) expenditures	(30,000)	12,421	42,421
Other Financing Sources			
Transfers in	135,000	135,000	-
Net change in fund balance	$ 105,000	147,421	$ 42,421
Fund Balance, beginning of year		239,228	
Fund Balance, end of year		$ 386,649	

Exhibit I-1

City of Bethel, Alaska

Water and Sewer Utility Enterprise Fund
Statements of Net Position

June 30,		2014		2013
Assets				
Current Assets				
Receivables:				
Accounts receivable (net of allowance)	$	674,722	$	495,490
Grants		7,779		96,730
Inventory		119,762		79,103
Total Current Assets		802,263		671,323
Capital Assets				
Construction in progress		912,464		701,001
Depreciable assets		35,280,106		35,280,106
Less accumulated depreciation		(23,596,532)		(22,474,252)
Net Capital Assets		12,596,038		13,506,855
Total Assets	$	13,398,301	$	14,178,178
Liabilities and Net Position				
Liabilities				
Current Liabilities				
Accounts payable	$	42,962	$	72,085
Accrued payroll		38,432		38,427
Accrued leave		105,010		118,715
Deposits		260,017		239,948
Total Current Liabilities		446,421		469,175
Long-term Liabilities				
Advances from other funds		3,915,855		4,254,775
Total Liabilities		4,362,276		4,723,950
Net Position				
Net investment in capital assets		12,596,038		13,506,855
Unrestricted (deficit)		(3,560,013)		(4,052,627)
Total Net Position		9,036,025		9,454,228
Total Liabilities and Net Position	$	13,398,301	$	14,178,178

Exhibit I-2

City of Bethel, Alaska

Water and Sewer Utility Enterprise Fund
Statements of Revenues, Expenses and Changes in Net Position

Years Ended June 30,	2014	2013
Operating Revenues		
Charges for services	$ 5,503,702	$ 5,528,863
Other	223,519	226,407
Total Operating Revenues	5,727,221	5,755,270
Operating Expenses		
Personnel	3,123,811	3,264,883
Travel and training	3,735	8,072
Materials and supplies	173,934	167,496
Utilities and fuel	1,540,326	1,714,839
Minor equipment and tools	83,026	47,544
Depreciation and amortization	1,122,280	1,133,853
Other purchased services	92,292	156,859
Insurance	86,170	123,776
Repairs and maintenance	702,760	603,717
Other overhead	221,489	157,232
Other expenses	38,707	82,826
Total Operating Expenses	7,188,530	7,461,097
Loss from operations	(1,461,309)	(1,705,827)
Nonoperating Revenues		
State PERS relief	258,294	270,048
Loss before contributions and transfers	(1,203,015)	(1,435,779)
Capital contributions	211,462	120,190
Transfers in	643,350	650,499
Transfers out	(70,000)	(70,000)
Change in net position	(418,203)	(735,090)
Net Position, beginning of year	9,454,228	10,189,318
Net Position, end of year	$ 9,036,025	$ 9,454,228

City of Bethel, Alaska

Water and Sewer Utility Enterprise Fund
Statements of Cash Flows

Years Ended June 30,	2014	2013
Cash Flows for Operating Activities		
Receipts from customers	$ 5,568,058	$ 5,733,890
Payment to suppliers	(3,012,221)	(3,047,670)
Payment to employees	(2,879,217)	(2,942,620)
Net cash flows for operating activities	(323,380)	(256,400)
Cash Flows from Noncapital Financing Activities		
Decrease in receivable from central treasury	-	21,878
Transfers in	643,350	650,499
Transfers out	(70,000)	(70,000)
(Decrease) in advances from other funds	(338,920)	(277,370)
Net cash flows from noncapital financing activities	234,430	325,007
Cash Flows from (for) Capital and Related Financing Activities		
Acquisition of capital assets	(211,463)	(96,729)
Capital contributions received	300,413	28,122
Net cash flows from (for) capital and related financing activities	88,950	(68,607)
Net increase in cash and cash equivalents	-	-
Cash and Cash Equivalents, beginning of year	-	-
Cash and Cash Equivalents, end of year	$ -	$ -
Reconciliation of Loss from Operations to Net Cash Flows for Operating Activities		
Loss from operations	$ (1,461,309)	$ (1,705,827)
Adjustments to reconcile loss from operations to net cash flows from operating activities:		
Depreciation and amortization	1,122,280	1,133,853
PERS on-behalf expense	258,294	270,048
Increase (decrease) in allowance for doubtful accounts	-	(14,998)
(Increase) decrease in assets:		
Accounts receivable	(179,232)	4,336
Inventory	(40,659)	(4,308)
Increase (decrease) in liabilities:		
Accounts payable	(29,123)	18,999
Accrued payroll	5	38,427
Accrued leave	(13,705)	13,788
Deposits	20,069	(10,718)
Net Cash Flows for Operating Activities	$ (323,380)	$ (256,400)

Exhibit I-4

City of Bethel, Alaska

Municipal Dock Enterprise Fund
Statements of Net Position

June 30,	2014	2013
Assets		
Current Assets		
Cash and investments	$ 5,409,497	$ 5,205,115
Accounts receivable (net of allowance)	396,749	286,757
Inventory	48,725	48,822
Total Current Assets	5,854,971	5,540,694
Capital Assets		
Construction in progress	679,775	500,000
Land	2,207,356	2,207,356
Depreciable assets	26,272,698	26,230,820
Less accumulated depreciation	(7,926,591)	(7,336,820)
Net Capital Assets	21,233,238	21,601,356
Total Assets	$ 27,088,209	$ 27,142,050
Liabilities and Net Position		
Current Liabilities		
Accounts payable	$ 25,825	$ 8,550
Accrued payroll	8,749	7,506
Accrued leave	24,639	8,714
Unearned revenue	474,841	605,156
Total Current Liabilities	534,054	629,926
Net Position		
Net investment in capital assets	21,233,238	21,601,356
Unrestricted	5,320,917	4,910,768
Total Net Position	26,554,155	26,512,124
Total Liabilities and Net Position	$ 27,088,209	$ 27,142,050

Exhibit I-5

City of Bethel, Alaska

Municipal Dock Enterprise Fund

Statements of Revenues, Expenses and Changes in Net Position

Years Ended June 30,	2014	2013
Operating Revenues		
Charges for services	$ 1,250,264	$ 1,249,074
Other	31,673	35,864
Total Operating Revenues	1,281,937	1,284,938
Operating Expenses		
Personnel	461,609	369,291
Travel and training	7,572	4,310
Materials and supplies	11,254	9,002
Utilities and fuel	96,127	67,045
Minor equipment and tools	22,315	1,133
Depreciation and amortization	589,771	606,498
Other purchased services	16,918	30,343
Insurance	19,826	23,188
Repairs and maintenance	167,380	237,777
Other overhead	40,982	19,792
Other expenses	1,390	1,854
Total Operating Expenses	1,435,144	1,370,233
Loss from operations	(153,207)	(360,071)
Nonoperating Revenues		
State PERS relief	38,678	36,940
Investment income	14,367	12
Total Nonoperating Revenues	53,045	36,952
Loss before contributions and transfers	(100,162)	(323,119)
Capital contributions	172,193	30,225
Transfers in	-	50,000
Transfers out	(30,000)	(30,000)
Change in net position	42,031	(272,894)
Net Position, beginning of year	26,512,124	26,785,018
Net Position, end of year	$ 26,554,155	$ 26,512,124

City of Bethel, Alaska

Municipal Dock Enterprise Fund
Statements of Cash Flows

Years Ended June 30,	2014	2013
Cash Flows from Operating Activities		
Receipts from customers	$ 1,041,630	$ 1,201,779
Payment to suppliers	(366,392)	(364,648)
Payment to employees	(405,763)	(375,398)
Net cash flows from operating activities	269,475	461,733
Cash Flows from (for) Noncapital Financing Activities		
Decrease in receivable from central treasury	-	3,619,486
Transfers in	-	50,000
Transfers out	(30,000)	(30,000)
Net cash flows from (for) noncapital financing activities	(30,000)	3,639,486
Cash Flows from Capital and Related Financing Activities		
Acquisition of capital assets	(49,460)	(523,298)
Cash Flows from Investing Activities		
Investment income received	14,367	12
Net increase in cash and cash equivalents	204,382	3,577,933
Cash and Cash Equivalents, beginning of year	5,205,115	1,627,182
Cash and Cash Equivalents, end of year	$ 5,409,497	$ 5,205,115
Reconciliation of Loss from Operations to Net Cash Flows from Operating Activities		
Loss from operations	$ (153,207)	$ (360,071)
Adjustments to reconcile loss from operations to net cash flows from operating activities:		
Depreciation and amortization	589,771	606,173
PERS on-behalf expense	38,678	36,940
(Increase) decrease in assets:		
Accounts receivable	(109,992)	172,821
Inventory	97	(70)
Increase (decrease) in liabilities:		
Accounts payable	17,275	(4,921)
Accrued payroll	1,243	7,506
Unearned revenue	(130,315)	1,435
Accrued leave	15,925	1,920
Net Cash Flows from Operating Activities	$ 269,475	$ 461,733

Exhibit I-7

City of Bethel, Alaska

Rental Property Enterprise Fund
Statements of Net Position

June 30,	2014	2013
Assets		
Current Assets		
Accounts receivable (net of allowance)	$ 18,210	$ 6,711
Inventory	10,116	10,728
Total Current Assets	28,326	17,439
Long-term Assets		
Restricted cash - bond reserve	410,469	391,808
Capital Assets		
Land	43,000	43,000
Depreciable assets	9,794,679	9,794,679
Less accumulated depreciation	(4,030,940)	(3,703,527)
Net Capital Assets	5,806,739	6,134,152
Total Long-term Assets	6,217,208	6,525,960
Total Assets	$ 6,245,534	$ 6,543,399
Liabilities and Net Position		
Liabilities		
Current Liabilities		
Accounts payable	$ 21,275	$ 25,580
Current portion - bonds payable	150,000	140,000
Accrued interest payable	37,338	-
Total Current Liabilities	208,613	165,580
Long-term Liabilities		
Advances from other funds	928,960	909,858
Bonds payable, net of current portion	2,790,000	2,940,000
Unamortized bond premium	94,284	101,536
Total Long-term Liabilities	3,813,244	3,951,394
Total Liabilities	4,021,857	4,116,974
Net Position		
Net investment in capital assets	2,772,455	2,952,616
Restricted - bond reserve	410,469	391,808
Unrestricted (deficit)	(959,247)	(917,999)
Total Net Position	2,223,677	2,426,425
Total Liabilities and Net Position	$ 6,245,534	$ 6,543,399

Exhibit I-8

City of Bethel, Alaska

Rental Property Enterprise Fund
Statements of Revenues, Expenses and Changes in Net Position

Years Ended June 30,	2014	2013
Operating Revenues		
Charges for services	$ 758,725	$ 732,963
Operating Expenses		
Supplies	-	2,237
Utilities and fuel	357,770	388,067
Minor equipment and tools	-	500
Depreciation and amortization	327,413	326,906
Other purchased services	8,181	9,261
Insurance	17,113	15,643
Repairs and maintenance	112,728	71,982
Total Operating Expenses	823,205	814,596
Loss from operations	(64,480)	(81,633)
Nonoperating Revenues (Expenses)		
Interest expense	(189,751)	(158,344)
Amortization of bond premium	7,252	7,252
Investment income	18,661	21,058
Net Nonoperating Revenues (Expenses)	(163,838)	(130,034)
Loss before transfers	(228,318)	(211,667)
Transfers in	25,570	70,102
Change in net position	(202,748)	(141,565)
Net Position, beginning of year	2,426,425	2,567,990
Net Position, end of year	$ 2,223,677	$ 2,426,425

City of Bethel, Alaska

Rental Property Enterprise Fund
Statements of Cash Flows

Years Ended June 30,	2014	2013
Cash Flows from Operating Activities		
Receipts from customers	$ 747,226	$ 739,138
Payment to suppliers	(499,485)	(482,635)
Net cash flows from operating activities	247,741	256,503
Cash Flows from Noncapital Financing Activities		
Transfers in	25,570	70,102
Increase (decrease) in advances from other funds	19,102	(36,506)
Net cash flows from noncapital financing activities	44,672	33,596
Cash Flows for Capital and Related Financing Activities		
Principal paid on long-term debt	(140,000)	(135,000)
Interest paid on long-term debt	(152,413)	(158,344)
Net cash flows for capital and related financing activities	(292,413)	(293,344)
Cash Flows from Investing Activities		
Investment income received	18,661	21,058
Net increase in cash and cash equivalents	18,661	17,813
Cash and Cash Equivalents, beginning of year	391,808	373,995
Cash and Cash Equivalents, end of year	$ 410,469	$ 391,808
Reconciliation of Loss from Operations to Net Cash Flows from Operating Activities		
Loss from operations	$ (64,480)	$ (81,633)
Adjustments to reconcile loss from operations to net cash flows from operating activities:		
Depreciation and amortization	327,413	326,906
Increase in allowance for doubtful accounts	-	5,246
(Increase) decrease in assets:		
Accounts receivable	(11,499)	929
Inventory	612	(1,046)
Increase (decrease) in liabilities:		
Accounts payable	(4,305)	6,101
Net Cash Flows from Operating Activities	$ 247,741	$ 256,503

Exhibit I-10

City of Bethel, Alaska

Solid Waste Enterprise Fund
Statements of Net Position

June 30,	2014	2013
Assets		
Current Assets		
Cash and investments	$ 2,535,672	$ 2,200,963
Accounts receivable, net of allowance	126,664	107,215
Inventory	4,805	5,096
Total Current Assets	2,667,141	2,313,274
Capital Assets		
Land	18,252	18,252
Depreciable assets	1,327,317	1,327,317
Less accumulated depreciation	(1,086,196)	(1,033,010)
Net Capital Assets	259,373	312,559
Total Assets	$ 2,926,514	$ 2,625,833
Liabilities and Net Position		
Liabilities		
Current Liabilities		
Accounts payable	$ 17,288	$ 10,551
Accrued payroll	5,929	5,176
Accrued leave	63,632	45,676
Total Current Liabilities	86,849	61,403
Long-term Liabilities		
Landfill closure costs	1,303,290	1,264,850
Total Liabilities	1,390,139	1,326,253
Net Position		
Net investment in capital assets	259,373	312,559
Unrestricted	1,277,002	987,021
Total Net Position	1,536,375	1,299,580
Total Liabilities and Net Position	$ 2,926,514	$ 2,625,833

Exhibit I-11

City of Bethel, Alaska

Solid Waste Enterprise Fund

Statements of Revenues, Expenses and Changes in Net Position

Years Ended June 30,	2014	2013
Operating Revenues		
Charges for services	$ 1,127,787	$ 1,069,139
Other	364	-
Total Operating Revenues	1,128,151	1,069,139
Operating Expenses		
Personnel	534,799	529,575
Travel and training	3,241	4,297
Materials and supplies	11,298	6,411
Utilities and fuel	81,208	97,794
Minor equipment and tools	6,857	3,691
Depreciation and amortization	53,186	57,035
Other purchased services	27,969	21,185
Insurance	11,281	12,272
Repairs and maintenance	69,724	67,556
Landfill closure costs	38,440	38,440
Other overhead	62,198	47,611
Other expenses	-	61
Total Operating Expenses	900,201	885,928
Income from operations	227,950	183,211
Nonoperating Revenues		
State PERS relief	43,845	45,510
Income before transfers	271,795	228,721
Transfers out	(35,000)	(35,000)
Change in net position	236,795	193,721
Net Position, beginning of year	1,299,580	1,105,859
Net Position, end of year	$ 1,536,375	$ 1,299,580

Exhibit I-12

City of Bethel, Alaska

Solid Waste Enterprise Fund
Statements of Cash Flows

Years Ended June 30,	2014	2013
Cash Flows from Operating Activities		
Receipts from customers	$ 1,108,702	$ 1,066,129
Payment to suppliers	(266,748)	(258,322)
Payment to employees	(472,245)	(481,124)
Net cash flows from operating activities	369,709	326,683
Cash Flows from (for) Noncapital Financing Activities		
Increase in receivable from central treasury	-	1,909,280
Transfers out	(35,000)	(35,000)
Net cash flows from (for) noncapital financing activities	(35,000)	1,874,280
Net increase in cash and cash equivalents	334,709	2,200,963
Cash and Cash Equivalents, beginning of year	2,200,963	-
Cash and Cash Equivalents, end of year	$ 2,535,672	$ 2,200,963
Reconciliation of Income from Operations to Net Cash Flows from Operating Activities		
Income from operations	$ 227,950	$ 183,211
Adjustments to reconcile income from operations to net cash flows from operating activities:		
Depreciation and amortization	53,186	57,035
PERS on-behalf expense	43,845	45,510
Increase in allowance for doubtful accounts	4,275	-
(Increase) decrease in assets:		
Accounts receivable	(23,724)	(3,010)
Inventory	291	(527)
Increase (decrease) in liabilities:		
Accounts payable	6,737	3,083
Accrued payroll	753	5,176
Accrued leave	17,956	(2,235)
Landfill closure costs	38,440	38,440
Net Cash Flows from Operating Activities	$ 369,709	$ 326,683

Exhibit I-13

City of Bethel, Alaska

Public Transit Enterprise Fund
Statements of Net Position

June 30,	2014	2013
Assets		
Current Assets		
Receivables - grants	$ 81,684	$ 85,367
Capital Assets		
Depreciable assets	291,414	291,414
Less accumulated depreciation	(189,364)	(154,057)
Net Capital Assets	102,050	137,357
Total Assets	$ 183,734	$ 222,724
Liabilities and Net Position		
Current Liabilities		
Accounts payable	$ 5,402	$ 1,095
Accrued payroll	3,079	3,068
Accrued leave	6,273	2,595
Due to other funds	78,381	78,872
Total Current Liabilities	93,135	85,630
Net Position		
Net investment in capital assets	102,050	137,357
Unrestricted (deficit)	(11,451)	(263)
Total Net Position	90,599	137,094
Total Liabilities and Net Position	$ 183,734	$ 222,724

Exhibit I-14

City of Bethel, Alaska

Public Transit Enterprise Fund

Statements of Revenues, Expenses and Changes in Net Position

Years Ended June 30,	2014	2013
Operating Revenues		
Charges for services	$ 39,883	$ 27,463
Other	-	22
Total Operating Revenues	39,883	27,485
Operating Expenses		
Personnel	253,416	217,557
Travel and training	-	192
Materials and supplies	18,893	4,882
Utilities and fuel	76,293	38,629
Minor equipment and tools	3,184	-
Depreciation and amortization	35,307	33,001
Other purchased services	1,032	4,190
Insurance	5,581	7,256
Repairs and maintenance	24,371	24,813
Other overhead	16,936	14,070
Other expenses	300	1,290
Total Operating Expenses	435,313	345,880
Loss from operations	(395,430)	(318,395)
Nonoperating Revenues		
FTA grant	229,571	214,191
Local grant	98,797	67,693
State PERS relief	20,567	16,908
Total Nonoperating Revenues	348,935	298,792
Loss before transfers	(46,495)	(19,603)
Transfers out	-	(50,000)
Change in net position	(46,495)	(69,603)
Net Position, beginning of year	137,094	206,697
Net Position, end of year	$ 90,599	$ 137,094

Exhibit I-15

City of Bethel, Alaska

Public Transit Enterprise Fund
Statement of Cash Flows

Years Ended June 30,	2014	2013
Cash Flows from Operating Activities		
Receipts from customers	$ 39,883	$ 15,358
Payment to suppliers	(142,283)	(94,915)
Payment to employees	(229,160)	(197,567)
Net cash flows for operating activities	(331,560)	(277,124)
Cash Flows from Noncapital Financing Activities		
Operating grants received	332,051	296,019
Transfers out	-	(50,000)
Increase (decrease) in due to other funds	(491)	44,427
Net cash flows from noncapital financing activities	331,560	290,446
Cash Flows for Capital and Related Financing Activities		
Acquisition of capital assets	-	(13,322)
Net increase in cash and cash equivalents	-	-
Cash and Cash Equivalents, beginning of year	-	-
Cash and Cash Equivalents, end of year	$ -	$ -
Reconciliation of Loss from Operations to Net Cash Flows for Operating Activities		
Loss from operations	$ (395,430)	$ (318,395)
Adjustments to reconcile loss from operations to net cash flows for operating activities:		
Depreciation and amortization	35,307	33,001
PERS on-behalf expense	20,567	16,908
Increase (decrease) in liabilities:		
Accounts payable	4,307	407
Accrued payroll	11	3,068
Accrued leave	3,678	14
Unearned revenue	-	(12,127)
Net Cash Flows for Operating Activities	$ (331,560)	$ (277,124)

Exhibit J-1

City of Bethel, Alaska

Internal Service Funds
Combining Statement of Net Position

June 30, 2014	Employee Health Insurance	Vehicle and Equipment	Total Internal Service Funds
Assets			
Current Assets			
Inventory	$ -	$ 381,239	$ 381,239
Capital Assets			
Depreciable assets	-	98,890	98,890
Less accumulated depreciation	-	(92,037)	(92,037)
Net Capital Assets	-	6,853	6,853
Total Assets	$ -	$ 388,092	$ 388,092
Liabilities and Net Position			
Current Liabilities			
Accounts and claims payable	$ 353,314	$ 12,185	$ 365,499
Accrued payroll	-	6,474	6,474
Accrued leave	-	18,245	18,245
Due to other funds	121,286	56,007	177,293
Total Current Liabilities	474,600	92,911	567,511
Net Position - unrestricted (deficit)	(474,600)	295,181	(179,419)
Total Liabilities and Net Position	$ -	$ 388,092	$ 388,092

City of Bethel, Alaska

Internal Service Funds

Combining Statement of Revenues, Expenses and Changes in Net Position (Deficit)

Year Ended June 30, 2014	Employee Health Insurance	Vehicle and Equipment	Total Internal Service Funds
Operating Revenues			
Interfund charges for services	$ 1,743,043	$ 1,132,140	$ 2,875,183
Operating Expenses			
Personnel	-	682,836	682,836
Claims	1,605,916	-	1,605,916
Travel and training	-	10,348	10,348
Supplies	-	198,750	198,750
Utilities and fuel	-	122,961	122,961
Minor equipment and tools	-	42,659	42,659
Depreciation	-	1,749	1,749
Other purchased services	35,694	10,191	45,885
Insurance	576,033	5,384	581,417
Repairs and maintenance	-	7,873	7,873
Other overhead	-	51,374	51,374
Other expenses	-	2,042	2,042
Total Operating Expenses	2,217,643	1,136,167	3,353,810
Loss from operations	(474,600)	(4,027)	(478,627)
Nonoperating Revenues			
State PERS relief	-	55,865	55,865
Change in net position	(474,600)	51,838	(422,762)
Net Position, beginning of year	-	243,343	243,343
Net Position (Deficit), end of year	$ (474,600)	$ 295,181	$ (179,419)

City of Bethel, Alaska

Internal Service Funds
Combining Statement of Cash Flows

Year Ended June 30, 2014	Employee Health Insurance	Vehicle and Equipment	Total Internal Service Funds
Cash Flows for Operating Activities			
Receipts from interfund charges	$ 1,743,043	$ 1,132,440	$ 2,875,483
Payment to suppliers	(2,100,997)	(559,700)	(2,660,697)
Payment to employees	-	(628,747)	(628,747)
Net cash flows for operating activities	(357,954)	(56,007)	(413,961)
Cash Flows from Noncapital Financing Activities			
Increase in due to other funds	121,286	56,007	177,293
Net increase (decrease) in cash and cash equivalents	(236,668)	-	(236,668)
Cash and Cash Equivalents, beginning of year	236,668	-	236,668
Cash and Cash Equivalents, end of year	$ -	$ -	$ -
Reconciliation of Income from Operations to Net Cash Flows for Operating Activities			
Loss from operations	$ (474,600)	$ (4,027)	$ (478,627)
Adjustments to reconcile loss from operations to net cash flows for operating activities:			
Depreciation and amortization	-	1,749	1,749
PERS on-behalf expense	-	55,865	55,865
(Increase) decrease in assets:			
Accounts receivable	-	300	300
Inventory	-	(114,471)	(114,471)
Increase (decrease) in liabilities:			
Accounts and claims payable	116,646	6,353	122,999
Accrued payroll	-	(907)	(907)
Accrued leave	-	(869)	(869)
Net Cash Flows for Operating Activities	$ (357,954)	$ (56,007)	$ (413,961)

City of Bethel, Alaska

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2014

Federal Grant Title	Grant Number	Catalog of Federal Domestic Assistance Number	Total Grant Award	Federal Share of Expend-itures
Department of the Interior				
Passed through the State of Alaska Department of Commerce, Community, and Economic Development - Payment in Lieu of Taxes	N/A	15.226	$ 804,164	$ 804,164
Department of Transportation				
Passed through the State of Alaska Department of Transportation and Public Facilities - Formula Grants for Other Than Urbanized Areas - Rural Public Transit	5311-12-116	20.509	278,785	229,571
Department of Homeland Security				
Passed through the State of Alaska Department of Military and Veterans Affairs:				
State Homeland Security	11SHSP-GR34076	97.067	100,985	99,365
State Homeland Security	EMW-2013-SS-00098	97.067	50,200	4,806
Total CFDA 97.067				104,171
Department of Agriculture				
Passed through the State of Alaska Department of Natural Resources - Volunteer Fire Assistance	N/A	10.664	17,244	14,605
Passed through the State of Alaska Department of Education and Early Development:				
Child and Adult Care Food Program	MA 14.542.01	10.558	13,930	10,522
Summer Food Service Program for Children	MA 14.542.01	10.559	19,218	12,408
Total Department of Agriculture				37,535
Total Expenditures of Federal Awards				$ 1,175,441

The accompaning notes are an integral part of this schedule.

City of Bethel, Alaska

Schedule of State Financial Assistance

Year Ended June 30, 2014

State Grant Title	Grant Number	Total Grant Award	State Share of Expend-itures
Department of Commerce, Community and Economic Development			
* Aquatic Training and Health Center	13-DC-629	$ 23,075,000	$ 12,032,225
* City Shop Floor	13-DC-477	1,500,000	489,899
* Road Repair and Upgrades	09-DC-565	2,500,000	438,026
* Community Revenue Sharing	FY 14	387,340	387,340
* Fire Engine	13-DC-340	350,000	349,936
* Sewer and Water Project Institutional Corridor	14-DC-042	7,000,000	211,460
New Bethel Police Station	11-DC-192	3,000,000	59,244
LED Streetlights	12-DC-332	350,000	41,529
Harbor Dredging	13-GO-002	4,000,000	13,997
Police Dispatch System	12-DC-334	328,800	8,225
Fish Landing Tax	FY 14	684	684
Fire Station Upgrades	11-DC-191	1,000,000	399
Total Department of Commerce, Community and Economic Development			14,032,964
Department of Administration			
* PERS on Behalf	FY 14	994,060	994,060
Department of Health and Social Services			
* Community Service Patrol	602-14-501	346,491	253,751
Department of Military and Veterans Affairs			
Alaska Territorial Guard Memorial	N/A	140,000	78,048
Department of Transportation and Public Facilities			
* Deferred Harbor Maintenance	N/A	600,000	130,315
Total State Financial Assistance			$ 15,489,138

*Major program

The accompaning notes are an integral part of this schedule.

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1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the "Federal Schedule") includes the federal grant activity of City of Bethel under programs of the federal government for the year ended June 30, 2014. The information in this Federal Schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the operations of City of Bethel, it is not intended to and does not present the financial position, changes in net assets or cash flows of City of Bethel. Expenditures reported on the Federal Schedule are reported on the modified accrual basis of accounting.

The accompanying Schedule of State Financial Assistance (the "State Schedule") includes the state grant activity of City of Bethel and is presented on the modified accrual basis of accounting. The information in the State Schedule is presented in accordance with the requirements of the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*.

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Single Audit Reports

Tel: 907-278-8878
Fax: 907-278-5779
www.bdo.com

3601 C Street, Suite 600
Anchorage, AK 99503

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

Honorable Mayor and City Council
City of Bethel, Alaska

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Bethel, Alaska, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise City of Bethel's basic financial statements and have issued our report thereon dated January 26, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of Bethel's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Bethel's internal control. Accordingly, we do not express an opinion on the effectiveness of City of Bethel's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2014-001 to be material weakness.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2014-002 to be a significant deficiency.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Bethel's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

City of Bethel's Response to Finding

City of Bethel's response to the findings identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. City of Bethel's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BDO USA, LLP

Anchorage, Alaska
January 26, 2015

Tel: 907-278-8878
Fax: 907-278-5779
www.bdo.com

3601 C Street, Suite 600
Anchorage, AK 99503

Independent Auditor's Report on Compliance For Each Major Federal Program and Report on Internal Control Over Compliance Required by OMB Circular A-133

Honorable Mayor and City Council
City of Bethel, Alaska

Report on Compliance for Each Major Federal Program

We have audited City of Bethel's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of City of Bethel's major federal programs for the year ended June 30, 2014. City of Bethel's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of City of Bethel's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about City of Bethel's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of City of Bethel's compliance.

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Opinion on Each Major Federal Program

In our opinion, City of Bethel complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

Report on Internal Control Over Compliance

Management of City of Bethel is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered City of Bethel's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of City of Bethel's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

BDO USA, LLP

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January 26, 2015

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www.bdo.com

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Independent Auditor's Report on Compliance for Each Major State Program and Report on Internal Control Over Compliance Required by the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*

Honorable Mayor and City Council
City of Bethel, Alaska

Report on Compliance for Each Major State Program

We have audited City of Bethel's compliance with the types of compliance requirements described in the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits* that could have a direct and material effect on each of City of Bethel's major state programs for the year ended June 30, 2014. City of Bethel's major state programs are identified in the accompanying Schedule of State Financial Assistance.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its state programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of City of Bethel's major state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*. Those standards and the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about City of Bethel's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major state program. However, our audit does not provide a legal determination of City of Bethel's compliance.

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Opinion on Each Major State Program

In our opinion, City of Bethel complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended June 30, 2014.

Report on Internal Control Over Compliance

Management of City of Bethel is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered City of Bethel's internal control over compliance with the types of requirements that could have a direct and material effect on each major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major state program, and to test and report on internal control over compliance in accordance with the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of City of Bethel's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a state program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a state program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*. Accordingly, this report is not suitable for any other purpose.

BDO USA, LLP

Anchorage, Alaska
January 26, 2015

City of Bethel, Alaska

Schedule of Findings and Questioned Costs
Year Ended June 30, 2014

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unmodified	
Internal control over financial reporting:		
Material weakness(es) identified?	X yes	___ no
Significant deficiency(ies) identified?	X yes	___ (none reported)
Noncompliance material to financial statements noted?	___ yes	X no

Federal Financial Assistance

Internal control over major programs:		
Material weakness(es) identified?	___ yes	X no
Significant deficiency(ies) identified?	___ yes	X (none reported)
Type of auditor's report issued on compliance for major programs:	Unmodified	
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?	___ yes	X no

Identification of major programs:

CFDA Number	*Name of Federal Program or Cluster*	*Agency*
15.226	Payment In Lieu of Taxes	Department of the Interior

Dollar threshold used to distinguish between Type A and Type B programs:	$ 300,000	
Auditee qualified as low-risk auditee?	X yes	___ no

State Financial Assistance

Internal control over major programs:		
Material weakness(es) identified?	___ yes	X no
Significant deficiency(ies) identified?	___ yes	X (none reported)
Type of auditor's report issued on compliance for major programs:	Unmodified	
Dollar threshold used to distinguish a state major program	$100,000	

Section II - Financial Statement Findings Required to be Reported in Accordance with *Government Auditing Standards*

Finding 2014-001	**General Ledger Reconciliation – Internal Control over Financial Reporting – Material Weakness**
Criteria	Timely and accurate reconciliations of key general ledger accounts is an important step in the monthly, quarterly, and annual financial close and reporting process. These reconciliations help ensure accurate general ledger balances, which in turn helps ensure accurate financial statements.
Condition	During the course of our audit we noted several general ledger accounts, including grant revenue, capital assets, construction expenditures and contributed capital that were not reconciled in a timely manner.
Context	The City did not perform grant reconciliations and record capital expenditures in a timely manner during fiscal year 2014.
Effect	The non-timely reconciliation of these accounts resulted in several balance sheet and revenue and expenditure accounts having inaccurate balances during the year and at year-end.
Cause	The City did not perform account reconciliations in a timely manner.
Recommendation	The City should ensure that the personnel in charge of maintaining the general ledger and producing financial reports review grant and capital activity on a timely basis and post the necessary adjustments in a timely manner.
Management's Response	Refer to corrective action plan.
Finding **2014-002**	**Internal Controls over General Journal Entries – Significant Deficiency**
Criteria	Internal controls are an essential part of the general journal entry process. Ideally, there should be proper authorization of journal entries made. Under this control, one employee initiates the journal entry, a separate employee reviews and approves the journal entry, and the preparer or another employee posts the entry.
Condition	Journal entries are being prepared and posted without proper review and approval. The process of journal entry authorization does not include sufficient segregation of duties.
Context	We selected 33 journal entries for testing, and 5 entries lacked evidence of proper review and approval.
Effect	The City is at risk of potential fraudulent or materially misstated entries being posted to the general ledger without proper controls to prevent or detect such entries.

Cause	Personnel are not following the City's policies for proper procedures for posting entries.
Recommendation	We recommend that management follow established policies of the City in that all journal entries be reviewed and approved by a separate individual prior to posting to the general ledger.
Management's Response	Refer to the corrective action plan.

Section III - Federal Award Findings and Questioned Costs

There were no findings and questioned costs for federal awards (as defined in section 510(a) of the Circular) that are required to be reported.

Section IV – State Award Findings and Questioned Costs

There were no findings and questioned costs for State awards (as defined in the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*) that are required to be reported.

City of Bethel, Alaska

Summary Schedule of Prior Audit Findings
Year Ended June 30, 2014

Financial Statement Findings

Finding 13-01 **Account Reconciliation – Accounts Receivable**

Condition Accounts related to the accounts receivable transaction cycle required audit adjustments.

Status Finding resolved.

Federal Award Findings and Questioned Costs

There were no findings and questioned costs for federal awards (as defined in section .510(a) of the Circular) that are required to be reported.

State Award Findings and Questioned Costs

There were no findings and questioned costs for State awards (as defined in the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*) that are required to be reported.

City of Bethel, Alaska

Corrective Action Plan
Year Ended June 30, 2014

Name of Contact Person	Hansel Mathlaw, Finance Director PO Box 1388, Bethel, AK 99559 Phone: 907-543-2047 Fax: 907-543-5294 Email: hmathlaw@cityofbethel.net

Financial Statement Findings

Finding 2014-001	**General Ledger Reconciliation – Internal Control over Financial Reporting – Material Weakness**
Corrective Action Plan	The Finance Department agrees with this finding. During the next fiscal year the Finance Department will be better prepared for the audit. The General Ledger Accountant and Finance Director will develop a checklist for the deficiencies. Furthermore, we will schedule bi-weekly meetings from the fiscal year end through the commencement of audit fieldwork.
Expected Completion Date	In progress, FY15
Finding 2014-002	**Internal Control over General Journal Entries – Significant Deficiency**
Corrective Action Plan	The Finance Department agrees with this finding. All journal entries must be approved by the Finance Director before entry into the accounting system. Once the journal entry is entered into the accounting system the Assistant Finance Director will review it for accuracy.
Expected Completion Date	In progress, FY15